



CONTRACTOR PREQUALIFICATION

**A Best Practice Guideline of the
Construction Owners Association of Alberta**

May, 2013

This Best Practice Guideline (guideline) was developed through a consensus process approved by COAA and brought together volunteers representing varied viewpoints and interests to achieve a reasonable consensus in developing a general guideline for industry use. The content of this guideline does not represent the views of any particular committee member. This document is a general guideline and COAA strongly recommends obtaining legal and other professional advice to complement and clarify this guideline. This guideline is also subject to periodic review, and readers should ensure they are referencing the most current version.

Suggestions for improving this guideline are welcome and can be submitted directly to COAA.

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TABLE OF CONTENTS

PREFACE

1.0	INTRODUCTION	5
1.1	Scope of Best Practice	6
1.2	Contractor Prequalification Guideline Benefits	7
1.3	Best Practice Continuous Improvement.....	7
2.0	PREQUALIFICATION BEST PRACTICES.....	8
2.1	Definition of Each Stage	8
2.2	General Best Practices	8
2.3	Process Flow Diagram.....	11
2.4	General Screening.....	12
2.4.1	Information Gathered.....	12
2.4.2	Best Practices	12
2.5	Project-Specific Screening.....	13
2.5.1	Information Gathered.....	13
2.5.2	Best Practices	14
3.0	AFTER PREQUALIFICATION	15
3.1	Definition of Each Stage	15
3.1.1	Project Sourcing Stage.....	15
3.1.2	Post Work Evaluation Stage.....	15
3.2	Project Sourcing Stage	15
3.2.1	Best Practices	15
3.3	Post Work Evaluation Stage.....	16
3.3.1	Best Practices	16
4.0	RESOURCES.....	17

APPENDICES

- Appendix A: Evaluation Criteria
- Appendix B: Evaluation Methodology
- Appendix C: Risk Assessment Matrix
- Appendix D: Best Practice Implementation Guide
- Appendix E: Self Assessment of Contractor Prequalification Best Practices
- Appendix F: Best Practice Continuous Improvement Form

PREFACE

The COAA Contracts Committee recognizes that contractor prequalification is an important step to ensuring a successful project outcome, and that a standard approach could lead to reduced costs for both the owner and contractor. This COAA Contractor Prequalification Guideline has been prepared as a guide for owners and contractors to facilitate prequalification of contractors and subcontractors for industrial construction in Alberta. Its purpose is to ensure that owners have access to contractors with the capabilities, capacity and expertise to perform required services. Implementing the best practices provided in this document will improve the contractor selection process, reduce the duration and effort to complete prequalification, and reduce costs for owners and contractors.

To standardize the industry approach to contractor prequalification, this guideline sets out best practices for developing an efficient contractor prequalification process. Although the prequalification required by each owner or contractor will be unique to the given level of detail or area of focus, the process that produces the desired outcome will be consistent.

1.0 INTRODUCTION

In May 2009, COAA members identified an opportunity to improve the quality, timing and costs associated with prequalifying contractors. The COAA Contracts Committee agreed to develop a guideline for the benefit of all industry stakeholders.

The Prequalification Subcommittee identified that owner and contractor organizations use a myriad of methods for screening or prequalifying contractors and their subcontractors, including:

- developing individually tailored documents of gathered information regarding contractor qualification
- using a third-party agency to collect data and approve contractors
- doing a combination of the preceding two methods

The COAA Prequalification Subcommittee believes that implementing best practices and a standardized process will lead to improved identification of qualified contractors for specific work, and reduced costs, resources and time to complete each prequalification.

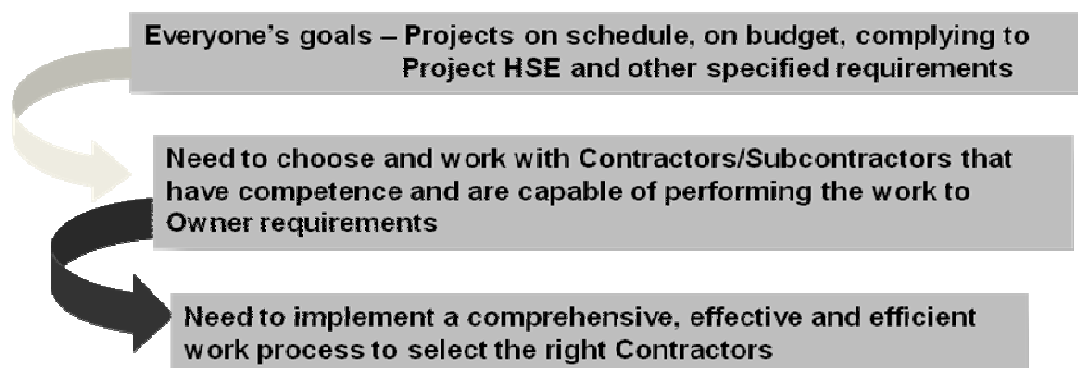


Figure 1: The Need for Contractor Prequalification

Coincidental to the Subcommittee's efforts, Sierra Systems was commissioned by Alberta Finance and Enterprise to survey several aspects of industrial construction in Alberta. The survey results indicate that the two main reasons why firms prequalify their contractors are to:

1. minimize risk
2. reduce the cost associated with procurement

Since one of the main goals is to reduce costs, it is critical to implement a streamlined prequalification process that does not require high out-of-pocket costs and is not resource intensive.

1.1 Scope of Best Practice

In developing this guideline, the effects of numerous external factors were considered. The Alberta Workers' Compensation Board (WCB) on-line publication of company claim costs were reviewed and found to have no bearing on the recommended process. Organization of Standardization (ISO) standards were also considered and found to have no material effect on this Guideline. Quality Management System (QMS) compliance did, however, necessitate a recommendation on governance associated with prequalification, which has been incorporated into the best practices within this document.

Even though several people and organizations expressed an interest in standardizing the Health, Safety and Environment (HS&E) evaluation process, doing so was outside the charter of the COAA Prequalification Subcommittee.

The mandate for the Prequalification Subcommittee was to:

- define the prequalification stages
- develop a recommended industrial construction industry standard process for contractor prequalification that addresses information gathered by third-party services or directly by the client, and the coordination of record retention and information updating
- develop a framework, implementation guide, tools and reference documents

Although this guideline is designed to detail the two prequalification process stages (i.e., general screening and project-specific screening), content is also provided to address the stages that take place after the prequalification process (i.e., the project sourcing stage and the post work evaluation stage). The purpose of discussing the project sourcing stage and the post work evaluation stage is to ensure useful contractor information gathered after prequalification is fed into a prequalification database for future use, which improves efficiency and reduces cost.

This guideline is not intended to direct or replace third-party service providers, but rather to ensure that clients have a consistent, effective and efficient approach to prequalification that will improve the quality of contractor selection and reduce demand on the industry's resources.

The subcommittee will not:

- develop a set of detailed prequalification forms
- direct or interfere with the services provided by third-party prequalification service providers

1.2 Contractor Prequalification Guideline Benefits

There are multiple benefits to adopting this guideline:

- All required information is gathered at the appropriate time and with the level of detail required to give the client confidence in selecting potential contractors for the various services required.
- Gaps and mitigating risks of contractor's activities against the client's service requirements are identified.
- The overlaps in prequalification efforts of the client and their prime contractors or direct-hire contractors are reduced.
- Clients are able to select contractors who have demonstrated the required experience, capability and capacity to deliver expected project outcomes.
- A fair process is created where contractors compete against other qualified contractors based on their expertise, capability and capacity.
- The time and effort involved in preparing and evaluating bids from unqualified contractors is eliminated, and an adequate number of qualified bidders for the client's scope of work are ensured.
- Clients and contractors are able to assess a firm's changing performance and qualifications over time.
- Contractors receive feedback from clients, so they are able to improve services to better meet client requirements throughout the qualification process and performance of work.
- Process efficiencies reduce costs for clients and contractors.

1.3 Best Practice Continuous Improvement

To ensure this prequalification best practice remains current, your suggestions/ recommendations for improvement are requested. Users of this document are requested to complete the "Best Practice Continuous Improvement" form attached in Appendix F and submit this form to the email address provided on the form. The COAA Contracts Committee will review all suggestions and recommendations for improvement and modify/update this best practice document and post the updated version on the COAA website. Utilizing this continuous improvement process will result in the latest practices being implemented within industry.

2.0 PREQUALIFICATION BEST PRACTICES

2.1 Definition of Each Stage

2.1.1 General Screening

General screening is used to assess contractors' capabilities and to ensure that their programs (e.g., safety and quality) meet the client's minimum standards. The information supplied by a contractor regarding how the contractor is structured and performs their business should be:

- of a nature that will not typically change over the course of a calendar year
- sufficient to allow the client to confirm the contractor's qualification on a general level for work opportunity consideration

2.1.2 Project-Specific Screening

Project-specific screening, which is also referred to as an expression of interest (EOI) or request for information (RFI), is used to determine the contractor's availability and capacity to construct a project during a particular time frame. Contractors supply the client with sufficient information (beyond that obtained in general screening) regarding their willingness, capacity and specific technical capabilities to perform the project work. The information is typically provided by the contractor within an optimized time frame to ensure it is considered current. This client-generated request:

- provides the contractor with a project description, the proposed contracting basis, timing and a general scope description
- requests certain specific "real time" information from the contractor regarding its capacity, capabilities and experience (information that was not previously gathered during the general screening stage)

The requested time-sensitive data should be of sufficient detail to allow the client to compile a list of bidders who are ready, willing and capable of submitting a tender to perform the work.

2.2 General Best Practices

The following recommendations apply to both prequalification stages and should be adhered to:

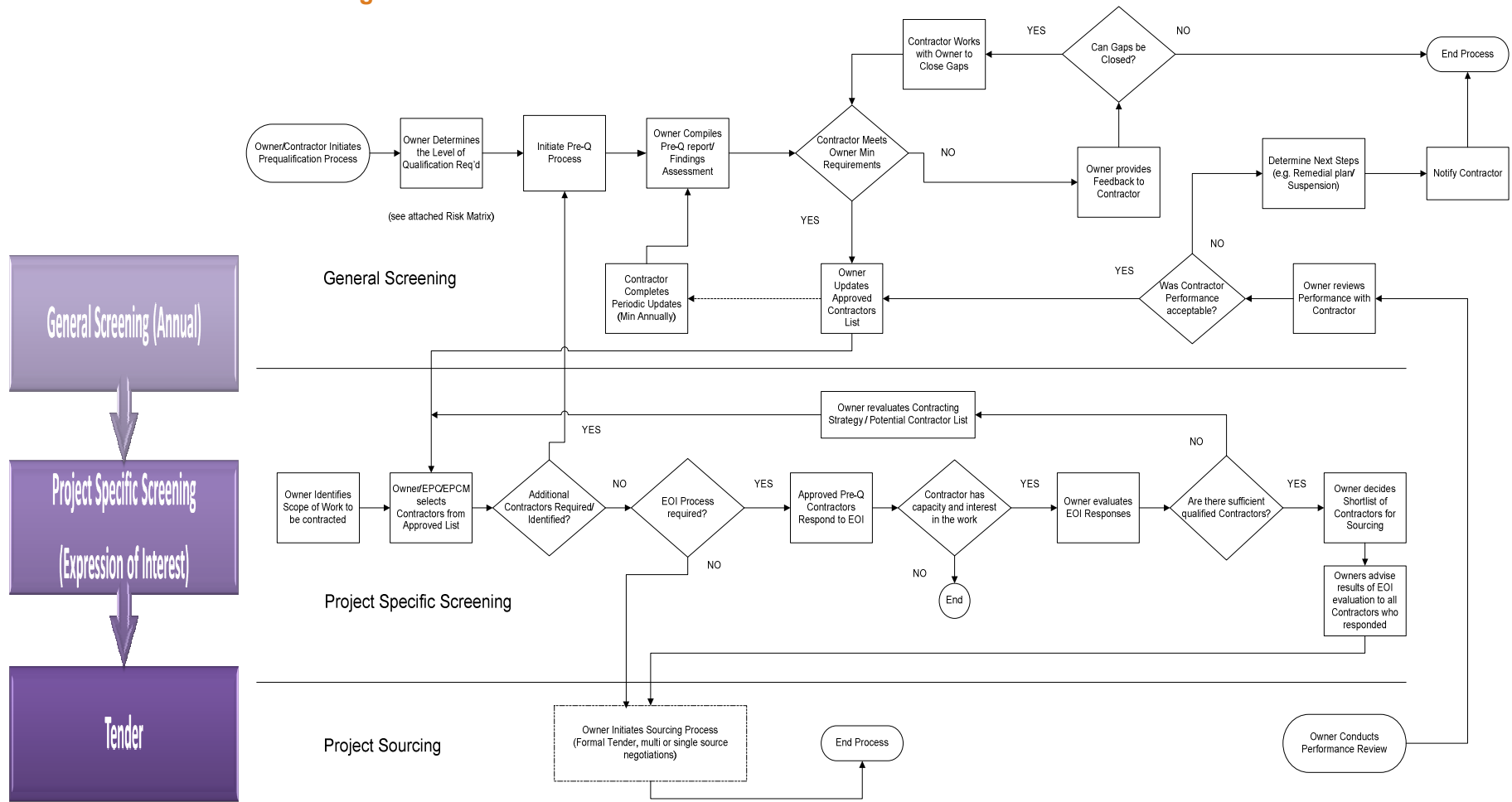
- Client prequalification team members (or designated third party, if outsourced) should have the right work experience and knowledge to administer and address questions related to the prequalification questionnaires and to analyze the responses. This experience and

knowledge should include the areas of technology, safety, finance and quality.

- Contractors should engage the appropriate team members to complete the prequalification process who have the right work experience and knowledge of their company (e.g., the company's capabilities, work processes and Information Technology (IT) applications) to respond to prequalification questionnaires and follow-up questions from clients
- Clients should collect data from contractors for general screening that considers the contractors' potential range of services for each division within the client organization. This data should be made available to each division and project to avoid duplicated gathering of general screening data within the client organization.
- Clients should clearly outline the requirements of the contractors' subcontractor management program and request information in the general screening stage (see Section 2.4) to verify compliance with these requirements
- Clients should identify and communicate to contractors any subcontracting restrictions for specific goods or services, such as a list of client-approved subcontractors
- Contractor should be responsible for prequalifying and managing their subcontractors in accordance with the subcontract management program reviewed by client
- Clients who begin working in a new region or with a new third-party prequalification service provider should review and ensure the standards for prequalification criteria are applicable to the region and the environment of the work sites.
- Client should appoint a champion and assign a single point of contact for the prequalification process and communicate this to project team members and divisions within the client organization and the contractors.
- Client should have a person or team dedicated to keeping the prequalification data on a common database that allows all client project teams and divisions to access and use contractor-supplied data. This will reduce the duplication of data in the client organization and reduce the prequalification expense to contractors.
- Clients are encouraged to use a prequalification risk assessment tool that allows for the differentiation of goods or services being provided. Goods or services with minimal risk can then be prequalified using minimal prequalification requirements, which reduces the time and cost associated with prequalification for both the client and the contractor.

- The prequalification process should be documented, incorporated into corporate policies and practices, and be incorporated into the contracting and procurement process. Compliance should be subject to internal audit in accordance with the company's Quality Management System.
- The HSE evaluation should strive to go beyond lagging indicators and consider the contractor's:
 1. Safety culture – deep rooted behavioral measures
 2. Effectiveness of the safety management system, and
 3. Performance measurement and its role in hazard identification and risk mitigation

2.3 Process Flow Diagram



Prequalification Draft Best Practice Process Flow Diagram

January, 2013

2.4 General Screening

2.4.1 Information Gathered

The following information should be requested during the general screening stage. Note that there are third-party providers who can collect and evaluate the HS&E information supplied by the contractor against the criteria or requirements established by the client. However, the rest of the listed information should be gathered in house.

- **HS&E:** This should include as a minimum the names of HS&E resources, HS&E program documentation, WCB rate premiums and WCB Letter of Good Standing. Consideration should be given to the evaluation and verification of contractor's policies, programs, procedures and performance statistics.
- **Quality Assurance and Quality Control (QA/QC):** This should include:
 - a QA/QC Mission Statement
 - Quality Management System documentation
 - a nonconformance reporting (NCR) program
- **Technical capabilities:** This should include as a minimum the technical requirements identified by the owner as critical for the goods or services being offered. This may also include, for example, information on contractors' expertise, capabilities, capacity, equipment, fabrication and manufacturing locations, and labour affiliations.
- **Financial and Legal:** This may not be required for all contractors; however, for higher risk work, consideration should be given to, for example, the contractor's bank reference details, financial strength, audited financial statements, bonding capacity and lawsuits.
- **Management Structure:** This may not be required for all contractors; however, consideration should be given to the organizational structure, resumes of the senior management team, resumes of key management personnel, and services provided by others (e.g. outsourced IT or fabrication).
- **Management of Subcontractors:** When required, this should include a review of the contractor's prequalification process, risk management, subcontractor management and NCR program.

2.4.2 Best Practices

Best practices for general screening are:

- Client should identify the frequency for revisiting information provided during the general screening process to ensure the data is current.

Within Appendix A, a time interval is provided for each piece of information requested from the contractor.

- At the start of the general screening process, if a third-party provider will complete the HS&E evaluations, the client should indicate who the third-party provider is.
- At the start of the general screening process and at regular intervals, the client should provide a list of client-prequalified subcontractors, if any and indicate if the contractor is restricted to using the listed subcontractors.
- Client should communicate to the contractor the general screening prequalification results.
- Ensure that the process has defined steps for contractors to maintain their qualification status.

2.5 Project-Specific Screening

The following is typically provided by the client:

- project description
- timing
- a general scope description
- client's general commercial terms

2.5.1 Information Gathered

The following are examples of typical information requested of contractors:

- the general experience and skill of resources that would be available for the project. Note that industry observation indicates that clients often ask for specifics at this stage, e.g., specific names and resumes, which is too early in the process for doing so. Specifics should be requested during the tender stage, rather than the project-specific screening stage.
- relevant work experience for the specific scope of work
- forecasted workload (including fabrication shop)
- typical project execution plan, including subcontracting plans, procurement strategies, centres of operations and low cost centres
- Contractor interest in the work
- Acceptance in principle, by the contractor, of the client's general commercial terms

2.5.2 Best Practices

Best practices for project-specific screening are:

- Project-specific screening should only be sent to those contractors who meet the general-screening requirements for the type of work being requested.
- Because the data being requested is time sensitive, the client should issue the formal tender within a reasonable time frame following Project-Specific Screening to avoid the resubmission of project-specific screening. Data can become stale after 6 to 12 months or sooner in a busy market.
- Project-specific screening should be limited to general execution plans, personnel and subcontractors, with the contractor providing examples of relevant work experience to demonstrate capacity. Detailed plans and identification of key resources and subcontractors should be requested at the tender stage rather than the project-screening stage.
- Client's evaluation team should have qualified reviewers with adequate knowledge of technology, finance and safety related to the services being requested. The client's evaluation team should seek clarifications when necessary, to ensure the proper identification of the Contactor's capability and capacity, while clearly identifying potential gaps from the client's requirements.
- Client should inform contractors who did not make the final list of potential Contactors and provide feedback as appropriate (i.e., feedback that does not potentially compromise other contractors' competitive advantage).

3.0 AFTER PREQUALIFICATION

There are two key stages that take place after the prequalification process. That are addressed in this section to ensure useful contractor information gathered after prequalification is fed into a prequalification database for future use, which improves efficiency and reduces cost.

3.1 Definition of Each Stage

3.1.1 Project Sourcing Stage

During the project sourcing stage, the client:

- provides a full and complete description of the expectations and obligations of the contractor
- requests detailed responses designed to ensure:
 - a meeting of the minds
 - the ability of the client to select the best technically and commercially responsive tender

This stage may involve detailed interviews, discussions, presentations and site visits regarding project specifics, and often involves extensive, direct personal contact between the parties.

3.1.2 Post Work Evaluation Stage

As the contractor completes work for the client, or as information is gathered during the previous stages, the client will document the evaluations of the contractor and incorporate these into the general screening data. This information should be made available to future project staff and various divisions who might require similar services from the contractor.

3.2 Project Sourcing Stage

The project sourcing stage includes collecting and evaluating project-specific information that provides further detail on the contractor's qualifications.

3.2.1 Best Practices

Best practices for the project sourcing stage are:

- Because it may be determined that a contractor's specific qualifications require mitigation to either meet the minimum standard or to meet the level of the other contractors (e.g., the client may decide to include a contractor on the bid list whose qualifications and experience is less

than the other contractors), to fairly evaluate the companies, the evaluator should clearly identify the gaps, how to mitigate them and the cost of mitigation to achieve the expected performance. Appendix A provides a suggested list of question categories that clients should consider at the project sourcing stage.

- One of two common approaches to identifying gaps and analyzing mitigation activities to close the gaps should be used. These two methods are described in Appendix B.
- If subcontractors have prequalified directly with the client, the client should indicate this to the contractor, and the contractor should only request new or more granular questions of any subcontractor at this stage to avoid duplication.

3.3 Post Work Evaluation Stage

Information gathered after the prequalification process that is applicable to the contractor's qualifications or performance should be captured by the client and recorded with that contractor's prequalification information in a prequalification database for future reference.

3.3.1 Best Practices

The following best practices should be considered as part of the client's overall contractor performance evaluation process:

- Contractor feedback and project evaluations should be included in the client's prequalification database to be used as part of the overall determination of a contractor's suitability for future work.
- Clients should have provisions in the prequalification database that allow information to be updated based on feedback or learning's during the project sourcing stage and the project execution stage.
- Refer to the COAA Owners' Guide titled *An Owner's Guide for a Contractor Health and Safety Management Program*; Section 7 and Appendix H provide some recommendations on contractor performance evaluation.

4.0 RESOURCES

- COAA Owners' Guide for a Contractor Health and Safety Management Program
- Canadian Energy Pipeline Association Pilot Project, "Rationalizing the Contractor/Partner Management Relationship"
- The Office of the Information and Privacy Commissioner of Alberta:
<http://www.oipc.ab.ca/pages/PIAs/Description.aspx>
- Alberta Finance and Enterprise survey conducted by Sierra Systems
- Surety Assist: Fuzzy Expert System to Assist Surety Underwriters in Evaluating Construction Contractors for Bonding - Krista Marsh and Aminah Robinson Fayek, M.ASCE2

Appendix A Evaluation Criteria

Table A-1 outlines the major evaluation categories and examples of evaluation headings to be considered for contractor evaluation. Detailed questions should be prepared by each company with consideration to a Risk Assessment Matrix (see Appendix C). The nature and extent of the questions should be based on the level of evaluation required by the client.

Once the detailed questions have been compiled, each one should be assigned a relative importance. A sample weighting (relative importance) calculation is included in Appendix B.

Table A-1: Suggested Evaluation Headings

Major Categories	Suggested Evaluation Headings for General Screening Questions	Suggested Evaluation Headings for Project-Specific Screening Questions	Suggested Evaluation Headings for Project Sourcing Questions
General Information	Company Details	Company Aboriginal Plan	Project Aboriginal Plan
	Parent Company Details	Work Force	Work Force details
	Company Structure	Current and Anticipated Contracts	Current and Anticipated Contracts
	Company Services Provided		
	Business Ethics		
	JV details and experience, if applicable		
Finance	Financial Statements	Bonding Capacity	Bonding Capacity and Rate Details
	Dun and Bradstreet Information	Cash Reserves	Parent Company Guarantee Details
	Bankruptcy and Receivership		Cash Reserves
	Financial Investigations		
	Lawsuits		
	Invoice Payment		
Health Safety and Environment	HS&E Mission Statement	Regional HS&E Statistics	WCB Letter of Good Standing
	HS&E Resources	Regional HS&E Resources	Project HS&E Resources
	HS&E Program	Regional HS&E Program	Project HS&E Plans
	HS&E Performance Statistics	Regional HS&E Performance Statistics	
	WCB Rate Premiums		

Major Categories	Suggested Evaluation Headings for General Screening Questions	Suggested Evaluation Headings for Project-Specific Screening Questions	Suggested Evaluation Headings for Project Sourcing Questions
Quality Assurance and Quality Control	QA/QC Mission Statement	Regional QA/QC Resources	Inspection and Test Plans
	Quality Management System	Regional QA/QC Performance	Quality Records Plan
	QA/QC Resources		Project QA/QC Resources
	QA/QC Performance		
	Quality Program Registration		
Related Project Experience	Self Performed Services/Expertise	Related Project Experience	References
		List of Similar Projects	
		References	
Organizational Capability/Capacity	Organizational Charts	Current and Forecasted Resources Availability	Resource details
	Discipline Leaders	Current Projects and Pending Proposals	Key Resources
	Workforce	Upcoming Projects	Services Subcontracts
	Labour Agreements	Key Resources	
	Labour Affiliations	Services Subcontracts	
	Key Resources		
	Services Subcontracts		
Execution Capability and Capacity	Current and Planned Facilities (e.g., Offices, Manufacturing, and Fabrication)	Current shop utilization (% of maximum capacity)	Current shop utilization and forecast
	Current Owned Equipment (Type, Amounts)	Pipe Fabrication Production Output	Facility and equipment locations and sources
	Rental and leased facilities and equipment	Location(s) and size(s) of your facilities and yards/storage	Subcontracts
	Equipment Capacity, production	Subcontracts	
	Actual Production Capacity, and Capability		
	Subcontracts		
Commercial Model	Previous Commercial model experience	Contract Model	Pricing
	Sub Contractors	Terms and Conditions	Performance
		Sub Contractors	Bonus/penalties
			Subcontracting Strategy
			Names of Subcontractors

Appendix B Evaluation Methodology

There are two primary evaluation methodologies that can be used. The first methodology is based on a pre-established weighted scoring system that provides a total evaluation score for each contractor. This methodology is simple and easy to apply, and also allows evaluators to group or categorize potential contractors. The second primary evaluation method is a priced evaluation, which is more time consuming and complicated to apply. However, it allows the evaluator to consider the business impacts of a contractor's performance or lack of performance.

Scoring Evaluation Methodology

SCORING EVALUATION METHODOLOGY					
	Detailed Questions by Topic	Topic Items	Headings	Major Subjects Assigned Relative Importance (in accordance to the project values) making up the Overall Evaluation	Overall Evaluation Score
Weight	Score (as evaluated by the client), say on a scale of 1 to 10 for this example				
0.2	5	Company Details	General Information	GENERAL	OVERALL EVALUATION
0.1	2	Parent Company Details			
0.2	6	Company Organization Charts			
0.05	1	Company Services Provided			
0.05	10	Company Aboriginal Plan			
0.1	9	Project Values			
0.2	3	Work Force			
0.1	4	Current / Anticipated Contracts			

Weights and Scale for Score can be determined by client to suit client's practices and project/contractor characteristics

Should have sum of weights in a given category equal to 1 (100%)

In the example above. $(0.2+0.1+0.2+0.05+0.05+0.1+0.2+0.1) = 1$

To evaluate category (Subject) of General Information:

Overall score (on a scale of 1 to 10) =

In the example above $(0.2*5)+(0.1*2)+(0.2*6)+(0.05*1)+(0.05*10)+(0.1*9)+(0.2*3)+(0.1*4) = 4.85$

If sum of weights is not equal to 1, then simply divide the value above by the sum of the weights to normalize. For example, equation above would be expressed as follows:

$$\frac{(0.2*5)+(0.1*2)+(0.2*6)+(0.05*1)+(0.05*10)+(0.1*9)+(0.2*3)+(0.1*4)}{(0.2+0.1+0.2+0.05+0.05+0.1+0.2+0.1)} = 4.85$$

Repeat for each layer for an overall evaluation score. For example, in the last layer, assume the following (based on calculations from previous layers):

Category	Weight	Score
General	0.20	6.20
Safety	0.25	8.00
Quality	0.25	8.25
Technical	0.30	9.10
SUM	1	

Overall Evaluation

$$(0.2*6.20)+(0.25*8.00)+(0.25*8.25)+(0.3*9.10) = 8.0325$$

The major categories for prequalification are:

1. Equipment and Material suppliers
2. Contracts (Services)
3. Construction Contracts

The following is an example of weighting ranges for each category:

	Equipment and Material	Contracts (Services)	Construction Contracts
Safety	0.10 to 0.15	0.15 to 0.30	0.25 to 0.35
Quality	0.20 to 0.30	0.15 to 0.25	0.15 to 0.30
Technical	0.30 to 0.50	0.15 to 0.40	0.20 to 0.40
General	0.10 to 0.30	0.15 to 0.40	0.20 to 0.40

Pricing Evaluation Methodology

The client's evaluation team should review the information supplied for each contractor's capacity, capability and performance and identify gaps from the requirements outlined by the client. Where gaps exist, the contractor should be requested to address each gap identified and provide supporting documentation of resolution. If the evaluation team concludes that the contractor meets the client's requirements, then no further action is required and the contractor documentation is retained. If the evaluation team concludes that the contractor does not meet the client's requirements, then the gap would be identified on a risk matrix for that contractor.

All outstanding gaps that have been identified and not satisfactorily resolved by the contractor are listed on a contractor risk matrix. The evaluation team should develop risk mitigation for each outstanding gap identified. The summary of the risk mitigations forms the contractor's risk mitigation plan, which would then be priced by the client. This priced risk mitigation plan would



form part of the contractor's overall evaluation. During the contractor selection process, the priced risk mitigation plan is used in conjunction with all other pricing considerations. The contractor risk matrix and mitigation plan would then form part of the projects risk mitigation plan.

Appendix C Risk Assessment Matrix

CONTRACT SERVICES RISK ASSESSMENT MATRIX

CONSEQUENCE	PROBABILITY					
	LIKELY	PROBABLE	POSSIBLE	REMOTE	IMPROBABLE	IMPOSSIBLE
Catastrophic						
Serious						
Marginal						
Negligible						

RISK LEVEL: High Medium Low

CONSEQUENCES	CONSIDERATIONS				
	ILLNESS OR INJURY TO WORKERS OR OTHERS	FINANCIAL IMPACT TO COMPANY OR OTHERS	IMPACT ON ENVIRONMENT	IMPACT ON COMPANY REPUTATION	DAMAGE TO FACILITIES OR EQUIPMENT
Catastrophic	Death	> 10M\$	Long term damage to the environment	National	Total loss or explosion on pipeline.
Serious	Disabling injury	1 – 10M\$	Medium term damage to the environment	Provincial	Significant damage, equip. shutdown
Marginal	Medical treatment	50k\$ - 1M\$	Short term damage to the environment	Local	Some damage, equip. able to run
Negligible	First aid	< 50k\$	No change to the environment	Individual	Minor damage

PROBABILITY	DEFINITION
Highly Likely	Highly Likely to occur during the term of the contract.
Likely	Likely occur during the term of the contract.
Possible	Possible to occur sometime during the term of the contract.
Remote	Not likely to occur during the contract term, but possible.
Improbable	Probability of occurrence cannot be distinguished from zero.
Impossible	Physically impossible to occur.

Appendix D Best Practice Implementation Guide

Getting Ready to Implement a Best Practice Contractor Prequalification Process

Effective use of the Contractor Prequalification Best Practice Guideline and realization of the related efficiencies and cost savings is directly attributable to a successful implementation.

Organizational commitment to the implementation of the best practice is imperative. The best practice will represent a change to current practice and in some organizations that change will be significant. The company must consider whether it can make an adequate commitment to the implementation, including resources, focus and a clear belief that the investment in implementation will significantly improve the likelihood of achieving the benefits anticipated. A member of senior management should be appointed as the champion of this initiative and their first task should be to canvass all significant stakeholders to ensure that the requisite commitment is evidenced.

The champion should have a broad knowledge of their organization including divisions, service lines locations, etc. so that the best practice can be applied consistently and pervasively throughout the company. Upon completion of implementation, it will be the one and only prequalification process used across the organization.

Each company that chooses to implement the best practice will have its own methodologies regarding bringing change into their organization, however the following is offered as areas for consideration when planning the implementation.

Planning

- Complete a self-assessment of the current state of the state of prequalification practices and processes within the company. Appendix E provides a scorecard for this purpose.
 - To ensure that all inputs into the scorecard reflect *actual* practice (versus presumed procedural steps set out in company policy), identify a sample of internal people to interview who are personally involved with various stages of project implementation and contractor qualification. The data collected through such interview should form the basis of the answers provided to the questions in the scorecard;
 - Identify the location and format of all current contractor prequalification records; and
 - Identify all current prequalification procedures or processes used.

- Upon completion of the self-assessment, the results recorded for each question should be compared to the best practice to identify gaps between current state and the desired best practice.
- Based on the number of gaps identified and their individual significance, the necessary resources need to execute the implementation, including gap closure planning, technical writing, communication, training, IT assistance, etc. must be assembled so as to complete the initiative in a timely and effective manner.

Execution

- For all gaps identified, a specific plan must be developed to amend current process to eliminate the gap. This may include amending existing policy and procedures or writing new ones. Consideration must be given to each company's specific policy amendment practices including timelines for review and approval.
- Consideration must also be given to prequalification record storage, including format and location and access so that any technical issues including those to be addressed by IT resources can be addressed.
- A communication and training plan should be developed that will communicate to the company any changes that are made to prequalification policies and procedures and should emphasize management's commitment to the value of these new methods. Also, any specific training requirements should be considered including the development of any required training materials and delivery method(s).

Monitoring & Controlling

- All new or revised policies necessary to implement the best practice should be incorporated in the company's standard policy and procedure maintenance framework including management approval and governance and regular review and update.
- A process of internal audit or attest should be developed and carried out on regular periodic intervals at least once per year to verify the acceptable execution throughout the organization of the policies and procedures that support the best practice. Deviations should be recorded and corrective action taken.
- As this best practice is subject to periodic review, the company should ensure that they note any updates and revise their prequalification best practice policies and procedures accordingly.

Appendix E

Self Assessment of COAA Contractor Prequalification Best Practices

DETAILS

Prequalification Phases Assessed:

- Systems - General**
- General Screening**
- Project Specific Screening**
- Project Sourcing**
- Post Work Evaluation**

Company: _____

Location: _____

Audit Period

Audit Period

Start Date: _____

End Date: _____

Audit Date: _____

Auditors: _____

Instructions

1. Review the information on contractor prequalification by accessing the best practice document on the COAA web site - www.coaa.ab.ca to get an understanding of the best practices for each phase of the process.
2. Score each of the thirty five questions using the following criteria:
 - Strongly Disagree - the identified practice is not followed on this project.
 - Disagree - we often fail to meet the requirement as defined by the practice on this project.
 - Neutral - we follow the defined practice but inconsistently or consistently but not all the time
 - Agree - we follow the defined practice consistently and meet the requirement most of the time.
 - Strongly Agree - we follow the defined practice all the time.
- 4 There are typically variations within and between contractors so a simple yes or no response is not sufficient and the auditor should qualify the response based on the type of project, degree of detail required to manage the work, how work is introduced in the field and who does the planning. If the defined practice is not followed, explain why not and how you manage the item described in your organization.
- 5 For each of the 5 areas identified in the scorecard, sum the score and carry forward to the scorecard summary sheet.
- 6 The fundamentals for successful implementation of a best practice contractor prequalification process is in scoring well on questions 1.1, 1.2, 1.3, 2.1, 3.1, 5.1.
- 7 As is the case in any organization, awareness of what other divisions or jurisdictions are doing may not be visible to the person conducting the audit. It is imperative to receive feedback through an independent review to be conducted by a firm(s) who have been

subjected, successfully or unsuccessfully, to your prequalification process. The independent review is achieved by have them complete this assessment.

- 8 The degree to which your prequalification follows this best practice is as much about the perceptions of the recipients of your process as it is about your perceptions of your process. As such, add your assessment results and the contractor's assessment results and average them. Look for items with dramatic discrepancies for obvious opportunities for improvement.

Scorecard Summary – Self Assessment

Systems - General:	Score: _____/65 = ____%
General Screening:	Score: _____/45 = ____%
Project Specific Screening:	Score: _____/30 = ____%
Project Sourcing:	Score: _____/15 = ____%
Post Work Evaluation:	Score: _____/20 = ____%
Total Score:	_____ /175 = ____%

Scorecard Summary – Contractor's Assessment

Systems - General:	Score: _____/65 = ____%
General Screening:	Score: _____/45 = ____%
Project Specific Screening:	Score: _____/30 = ____%
Project Sourcing:	Score: _____/15 = ____%
Post Work Evaluation:	Score: _____/20 = ____%
Total Score:	_____ /175 = ____%

Final Score
 (_____ + _____)/2 = _____ %
Self Assessment + Contractor's Assessment

Company: _____		Score					Date: _____
Audit #	Description	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Comments / Observations
		1	2	3	4	5	
1.0	Systems - General						
1.1	Prequalification is supported by all levels of the organization, is incorporated into policy and practice, is built into corporate buying and contracting processes and is not optional						
1.2	The company's prequalification process is documented						
1.3	Compliance to your company's prequalification processes is subject to internal audit in accordance with the company's Quality Management System.						
1.4	The company's prequalification process has defined stages; one to establish an approved bidders list, one to gauge contractor interest and capacity to perform a specific scope of work, one to qualify contractor to be awarded a specific scope of work and one to assess contractor performance.						
1.5	Prequalification reviewers have the right work experience and knowledge to administer and address questions related to the prequalification questionnaires and to analyze the responses. - Clarification: This experience and knowledge should include the areas of technical, safety, finance and quality.						

Company: _____		Score					Date: _____
Audit #	Description	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Comments / Observations
		1	2	3	4	5	
1.6	Subcontracting restrictions for specific goods or services, such as a list of client-approved subcontractors, are clearly indicated.						
1.7	All information requested through all phases of the contractor qualification process is asked in such a way that responses can be verified. Clarification: Questions to which answers cannot be verified should be avoided.						
1.8	Contractor is made responsible for prequalifying and managing their subcontractors in accordance with the subcontract management program reviewed by client.						
1.9	All prequalification questions/standards are applicable for the region and the environment of the work. Clarification: This extends to subjects such insurance requirements also.						
1.10	The company has an appointed Champion and a single point of contact is assigned for the prequalification process which is communicated to project team members and divisions within the owner organization and also to the contractors.						

Company: _____		Score					Date: _____
Audit #	Description	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Comments / Observations
		1	2	3	4	5	
1.11	<p>Prequalification data is stored on a common database that allows all client project teams and divisions to access and use contractor-supplied data.</p> <p>Clarification: This will reduce the duplication of data in the client organization and reduce the prequalification expense to contractors</p>						
1.12	<p>A prequalification risk assessment tool is used that allows for the differentiation of goods or services being provided. Goods or services with minimal risk can then be prequalified using less cumbersome, but appropriate prequalification requirements, which reduces the time and cost associated with prequalification for both the client and the contractor.</p>						
1.13	<p>The Best Practice prequalification process is incorporated into corporate policies and practices and also into the contracting and procurement process.</p> <p>Clarification: Compliance is subject to internal audit in accordance with the company's Quality Management System.</p>						
Section 1.0 Total (out of 65)							

Company: _____		Score					Date: _____
Audit #	Description	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Comments / Observations
		1	2	3	4	5	
2.0	General Screening						
2.1	Collect data from contractors for general screening that considers the contractors' potential range of services for each division within your organization. This data should be made available to each division and project to avoid duplicated gathering of general screening data within the client organization.						
2.2	Requirements of a subcontractor management program are clearly outlined and questions are in place to verify compliance with these requirements						
2.3	The frequency is identified for revisiting information provided during the general screening process to ensure the data is current. These frequencies resemble those identified in Appendix A.						
2.4	If a 3 rd party is intended to be utilized to conduct the General Screening, this is identified well in advance of the General Screening process.						
2.5	Results of the General Screening process are communicated to the contractor.						
2.6	A simple system is in place to facilitate the contractor prequalifying his subcontractors to						

	the same criteria.						
2.7	The level of prequalification is appropriate for the risk profile (See Appendix C) of the work that the contractor may be contemplated for.						
2.8	Information is requested of contractors in such a way that meaningful insight is gained as to the degree to which their safety culture aligns with the company's. Clarification: This can also be done at the Project Specific Sourcing Phase, but it is recommended to be done prior.						
2.9	The company's prequalification process has defined steps for contractors to maintain their qualification status.						
	Section 2.0 Total (out of 45)						

Company: _____		Score					Date: _____
Audit #	Description	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Comments / Observations
		1	2	3	4	5	
3.0	Project Specific Screening						
3.1	The Project Specific Screening is only sent to those contractors who meet the General-Screening Requirements for the type of work being requested						
3.2	Project Specific Screening data is time sensitive. Is the Project Sourcing (formal tender) phase commenced within a reasonable time frame to avoid the resubmission of Project Specific Screening? Clarification: Data can become stale after 6 sooner in a busy market						
3.3	Is the Project Specific Screening data requested limited to general (typical or sample) execution plans, personnel and subcontractors, with the contractor providing examples of relevant work experience to demonstrate capacity? Clarification: Detailed plans and identification of key resources and subcontractors should be requested at the tender stage rather than the Project Screening stage.						

3.4	<p>The evaluation has qualified reviewers with adequate knowledge of technology, finance and safety related to the services being requested.</p> <p>Clarification: The evaluation team should seek clarifications, when necessary, to ensure the proper identification of the Contactor's capability and capacity, while clearly identifying potential gaps from the client's requirements</p>						
3.5	<p>Contractors who did not make the final list of proponents are notified and feedback is provided as appropriate.</p> <p>Clarification: Feedback should not have the potential to compromise other contractors' competitive advantage</p>						
3.6	<p>Information requested at this phase has not been previously requested either directly or through the use of a 3rd party in the General Screening Phase.</p>						
Section 3.0 Total (out of 30)							

Company: _____		Score					Date: _____
Audit #	Description	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Comments / Observations
		1	2	3	4	5	
4.0	Project Sourcing						
4.1	Contractors whose specific qualifications require mitigation to either meet the minimum standard or to meet the level of the other contractors are fairly evaluated to clearly identify the gaps, how to mitigate them and the cost of mitigation to achieve the expected performance. Clarification: Under-qualified contractors may be invited to compete for the work for a variety of reasons, but the risks should be priced in to level the field (see Appendix B).						
4.2	A system is in place for the contractor to assess whether subcontractors are already prequalified to the client's standards.						
4.3	Information requested at this phase has not been previously requested either directly or through the use of a 3 rd party in the General Screening Phase or the Project Specific Screening Phase.						
	Section 4.0 Total (out of 15)						

Company: _____		Score					Date: _____
Audit #	Description	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Comments / Observations
		1	2	3	4	5	
5.0	Post Work Evaluation						
5.1	The company's prequalification process has a feedback loop from contractor performance evaluation, which is generated upon completing the scope of work						
5.2	Past performance is in a format that allows for it to factor into evaluation for future work.						
5.3	Provisions exist in the prequalification database that allow information to be updated based on feedback or learning's during the project sourcing stage and the project execution stage						
5.4	Feedback on contractors' past performance and project evaluations are stored in a prequalification database, accessible to procurement personnel, to be used as part of the overall determination of a contractor's suitability for future work.						
	Section 5.0 Total (out of 20)						

Appendix F
Best Practice Continuous Improvement Form
To be submitted to COAA Contracts email at: coaa.mail@coaa.ab.ca

Section 1 – Initiator Contact information
Name: <i>(provide Name, Title)</i>
Company:
EMAIL
Office Phone:
Section 2 – Recommendations or Suggestions for Improvement
Please provide as much information as possible to assist the Contracts Committee in evaluating the proposed suggestion/recommendation. Please only submit one suggestion or recommendation per form:
Best Practice Section and Page Number
Proposed Addition or Deletion
Reasons for proposed Additions or Deletions or Background Information