

OFFICE OF THE CONTRACTOR-GENERAL

Report of Investigation

Into the Procurement and Contract Award Practices at the University Hospital of the West Indies

Ministry of Health

EXECUTIVE SUMMARY

The investigation into the Procurement Practices of the University Hospital of the West Indies (UHWI) was commenced on the 2007 January 19 pursuant to the provisions of Section 15 of the Contractor General Act (1983). It was guided by clearly defined terms of reference and methodologies which were used to inform the findings and recommendations contained herein.

By way of letter, dated 2006 December 20, the then CEO of the UHWI, Mrs. Stephanie Reid, requested that the Office of the Contractor General (OCG) undertake an audit of the UHWI procurement and contract award processes. This, she expressed, was “necessary in light of the new regulations passed by our Parliament as it relates to the Procurement/Contracts procedures to be followed by Public Sector Bodies.” The invitation was accepted by the OCG and was the premise upon which the investigation was undertaken.

The primary means of gathering information on the various contracts which were procured by the UHWI was the conducting of interviews, meetings and the reviewing of contract documents. The Investigation encompassed the analysis of the award process for contracts over J\$4 million, from 2003 January to 2006 December. This information was supplemented by the data contained in the Quarterly Contract Award Reports (QCA) for contracts J\$250,000 to J\$3,999,999.99 in value.

The QCA Reports indicate that, between 2006 May and 2007 March, the UHWI spent approximately J\$660 million dollars for contracts within the J\$250,000 to J\$3,999,999.99 band.

The findings of the investigation indicated that there were breaches of the procurement guidelines underscored by poor management within various departments of the UHWI that undertook procurement functions. It is recommended that a review be undertaken of the management structure and functions of the institution and, in particular, as it relates to the role of the UHWI board in the procurement process. Within the shortest time possible, a procurement workshop should be conducted by the Ministry of Finance with the agency to reinforce the requirements of the GPPH.

In addition, we would make the following recommendations:

- We recommend that the UHWI draft a formal Procurement Policy & Procedure Document, which should incorporate the necessary steps to be taken when procuring goods, works and services, and the required reporting structure for approval. This document should be used in conjunction with the Government Procurement Policy Handbook. All relevant staff members would be required to become very familiar with both.
- We recommend that regular procurement and financial audits be carried out by the requisite agencies acting on behalf of Parliament. Also, we would recommend that an audit of this nature be done on a quarterly basis and should continue until a satisfactory level of transparency and compliance has been achieved.
- It is our considered view and recommendation (if not yet implemented) that all sitting board members and, likewise, UHWI staff, be made to declare any interest which they may have in any companies that are currently conducting business with the hospital.
- It is recommended that the Commission for the Prevention of Corruption and the Auditor General apprise themselves of the relationship between board members, both past and present, and their affiliations with the various companies that have conducted (or are conducting) business with the UHWI. These relationships should be investigated, *inter alia*, within the context of possible conflicts of interests. We make this recommendation

particularly against the background of the inordinately high levels of irregularities which we have observed during our investigations. It is our considered belief that in-depth investigations should be conducted by the referenced authorities to determine definitively if there are/were circumstances which would warrant criminal prosecution.

- We recommend that a review of the agency's records management systems, past and present, be undertaken, and an appropriate system developed to enable the efficient and effective storage of procurement records. This will ensure an enhanced level of transparency in so far as the agency's procurement and contract award history is concerned. It will also allow all stakeholders to have access to a comprehensive set of analytical data for future comparisons and planning purposes.
- We recommend that the Auditor General be brought in at the UHWI to undertake a comprehensive audit to address the allegations of financial impropriety which have been levied against various staff and board members. This is a matter which falls outside of the OCG's jurisdiction.
- Finally, we would recommend that the Permanent Secretary take a more proactive and aggressive role in developing, implementing and enforcing effective risk management systems, checks and balances and other appropriate management systems at the UHWI, in an effort to mitigate against any possibility of deviations from the GPPH by the institution's management and procurement staff.

INTRODUCTION

In accordance with Section 15 of the Contract General Act, the OCG, on 2007 January 19th, initiated an investigation into the procurement practices of the UHWI, with respect to its adherence to the Government Procurement Guidelines.

TERMS OF REFERENCE

The terms of reference of the investigation were to:

- Identify the procurement process and practices which were employed by the UHWI in the awarding of Government contracts for goods, works and services;
- Review contracts awarded for conformity to the Government Procurement Guidelines and the terms thereof;
- Make recommendations for appropriate actions, where necessary, to correct any instance of non-conformity identified.

BACKGROUND

The investigation into the procurement practices of UHWI was prompted by way of a letter, dated 2006 December 20, to the OCG, from the former CEO of UHWI Mrs. Stephanie Reid, inviting the OCG to commence an investigation into the contract award practices of UHWI. This, she stated, was necessary “in light of the new regulations” relating to the procurement procedures to be followed by Public Sector Bodies, passed by Parliament and a desire to ensure that UHWI “maintains a compliant status with the Government of Jamaica’s Guidelines for Contracts and Procurement.”

Interest was further generated by the extensive media attention which was placed on the issue of a “climate of intimidation” towards the former CEO and the management staff with regards to the award of contracts at UHWI.

The OCG, directed by its mandate under Section 4 of the Contractor General Act (1983), began reviewing the procurement practices undertaken at the UHWI, as it relates to goods, services and works contracts.

From the terms of reference, the following questions and investigative methodology were outlined and adopted by the OCG whilst conducting its investigation:

- (1) Whether UHWI adhered to the Government of Jamaica Procurement Guidelines;
- (2) An analysis of UHWI's strengths and weaknesses in conforming to the GPPH;
- (3) Recommendations to correct any deficiencies that might have been observed.

The OCG accepted, by way of letter, dated 2007 January 19, the UHWI's invitation to commence an investigation in accordance with Section 15 of the Contractor General Act. Section 15 empowers the Contractor General to conduct investigations into any or all of the following matters, among others:

- (a) The tender procedures relating to contracts awarded by public bodies;
- (b) The award of any Government contract;
- (c) The implementation of the terms of any Government contract.

METHODOLOGY

The following methodology was used to inform the Findings and Conclusion of the investigation:

1. Meetings and interviews with Senior Management personnel of the UHWI;
2. Review of tender correspondence and statements of accounts;
3. Review of procurement records and Minutes of meetings of the General Purpose and Procurement Board.

Meetings

The OCG, by way of a letter, dated 2007 February 5, scheduled a meeting with the Acting Chief Executive Officer, Mr. Everton Morgan, and / or any other representative, to meet with the OCG's team of investigators on 2007 February 7.

On 2007 February 7, the OCG investigation team met with the Chairman of the UHWI Board, Mr. Hugh Scott, and other members of the UHWI Senior Management Team. The purpose of the meeting was to introduce the members of the OCG team; outline the scope of the investigation; explain the instrument of authority under which the investigation would be conducted; and also to give an overview of the role and function of the OCG.

Requests were also made for the provision of correspondence related to all procurements which were undertaken above the \$4 million threshold over the period of 2003 January to 2006 December 31.

Interviews

On 2007 February 12, the OCG conducted an interview with the former Chief Executive Officer, Mrs. Stephanie Reid, in the Conference Room of the OCG.

On 2007 April 17 and May 1, interviews were conducted in the Conference Room of the OCG, with a Board member, Mr. Smith, and Mr. Hugh Scott, Chairman of the UHWI Board.

Between the period 2007 April 6 – 17, interviews were also conducted with three members of the UHWI Senior Management personnel: Mr. Fitz Mitchell, Manager of Material & Services; Mr. Evon Mullings, Acting Senior Director Operations, Planning and Development and Mrs. Beverly Porter, Director of Contracts & Services. A second interview was conducted on 2007 September 6, with Mrs. Beverly Porter, Director, Contracts & Services. This was done to clarify a number of issues regarding several contracts operated by UHWI.

FINDINGS

As a result of the interview sessions carried out by the OCG team with the various senior management personnel of UHWI, it was determined, and evident, that there were deviations from the GPPH. Explanations given by the UHWI management for these deviations included the lack of knowledge of the GPPH and the nature of works warranting emergency attention.

- The OCG's findings include:

- i. UHWI engaging the services of Nutritional Management Ltd. to undertake the catering contract despite the Contractor's inability to furnish the required performance bond of 10% of the contract sum. This was a clear violation of clause 6.1.1.19 of the GPPH that states that Contracts over Four million dollars (\$4M) require a surety amount of 10% security of the contract sum.

In a report to the OCG from UHWI, they expressed extreme difficulty in finding suitable hospital caterers, which they noted was evident in the 2004 tender for the provision of dietary and catering services. In this tender, three (3) entities initially expressed an interest: HEART Trust/NTA, D3H Enterprises Ltd. and Nutritional Management (NMS) Ltd. However, HEART Trust/NTA withdrew from the tender process and D3H Enterprises Ltd was found to be ineligible as they did not have a valid TCC and were not registered with the National Contracts Commission (NCC). It was on this basis that NMS Ltd. was awarded the contract. They, however, informed UHWI that they were unable to furnish the Twenty-five million dollars (\$25M) performance security bond. As a result, in November 2004, the value of the performance bond was reduced to Sixteen million dollars (\$16M) and was later further reduced to Ten million dollars (\$10M).

In November 2004, UHWI proceeded to enter into an interim agreement where NMS Ltd. would be allowed a six-month period to provide the performance bond. This arrangement would allow for the signing of the contract at the end of the six-month period of December 2004 to May 2005. However, NMS Ltd. was given an additional three months extension and, in December 2005, Mrs. Pinnock of NMS Ltd. wrote to UHWI informing them that they could not provide the performance bond and expressed her intent to terminate their services. However, due to the difficulty in finding a suitable replacement for NMS Ltd., UHWI requested that they maintain the contract.

- ii.** A signed three-year contract with Emergency Care Research Institute (ECRI) to procure equipment for UHWI valued at US\$67,500 was examined. It was found that this contract was not tendered. This is in breach of Section 4.5 of the GPPH, which requires goods with a value equal to or greater than Four million dollars (\$4M) to undergo selective tendering prior to submission to the NCC for recommendation, then, subsequently to the Cabinet for approval. In addition, based upon checks carried out by the OCG, ECRI, a foreign based non-profit entity, was not registered with the NCC. Furthermore, information coming out of the interview sessions with the management of UHWI, highlighted the fact that the contract was negotiated by Mrs. Stephanie Reid, the then CEO, without consulting the UHWI Procurement Committee or receiving the requisite approval from the UHWI Board.

- iii.** The Minutes of the Finance and General Purpose meeting, dated 2006 October 19, stated that Supreme Laundry Services Ltd. was awarded the contract for five years commencing 1998¹ May 1, to provide laundry services. However, the contract has been operating since 2004, on an extension basis. The contract was reportedly put to tender, to which only Supreme Laundry Services Ltd. submitted proposals on time. The NCC rejected the submission and recommended a re-tender. The Committee then decided to extend the contract of Supreme Laundry Ltd. by three months for the period 2006 December 1 to 2007 February 28.

A request for a contract extension was, however, never submitted to the NCC for endorsement; nor was there any evidence of a timeline being set for the contract to be re-tendered. The most recent extension granted by the UHWI Board on 2007 June 29, is set to expire on 2007 December 31. This was not submitted to the NCC for endorsement.

¹ See contract dated May 1st 1998 between National Cleaners UHWI – Laundry Service agreement

Based upon the Audit Exit Interview carried out by the Auditor General on 2007 March 29, the performance bond in the original contract dated 1998 May 1, was deemed invalid, and was not signed under official seal.

- iv. Based upon the findings of the Audit Exit Interview conducted by the Auditor General on 2007 March 29, we noted that several suppliers of goods and services to UHWI were not registered with the NCC. In other instances, the Tax Compliance Certificate for some suppliers was not presented. This information is substantiated by a letter dated 2007 December 8, from Mrs. Beverly Porter, Director, Contracts & Services, to the then Chief Executive Officer, Mrs. Stephanie Reid, outlining that TCC and NCC certificates were still outstanding for a number of suppliers.

- v. An analysis of the UHWI Quarterly Contract Award (QCA) Reports from 2006 May to 2007 March, produced the following results:
 - 1. Open Tender - 336 contracts were awarded
 - 2. Selective Tender - 205 contracts were awarded
 - 3. Limited Tender - No contract was awarded
 - 4. Sole Source Procurement - 147 contracts were awarded
 - 5. Government to Government Procurement – No contract was awarded
 - 6. Over an eleven month period (2006 May - 2007 March), contracts within the \$250,000- \$3,999,999.99 range, with a total value of \$653.75M, were awarded for goods, services and works. The evidence suggests that this was done with the full knowledge of the procurement committee.

- vi. There is *prima facie* evidence that a conflict of interest may have occurred with the awarding of contracts to Consumerables Direct by UHWI. This is as a result of the working relationship which existed between Mrs. Stephanie

Reid, the then CEO of UHWI and Mr. Dwight Williams, Director and shareholder of Consumerables Direct. Both were Directors of another company, Cyto Histo Path. It must, however, be noted that based upon records reviewed, Cyto Histo Path was never awarded a contract under Mrs. Reid's tenure as CEO. Consumerables Direct, however, was awarded seven (7) contracts with a total value of \$7,017,161.00 between the periods 2006 May - December, during Mrs. Reid's tenure. Since the departure of the now former UHWI CEO, Mrs. Stephanie Reid, Consumerables Direct's last recorded contract with the UHWI, was dated 2007 January 17 and was valued at \$540,000.00.

Consumerables Direct's role seems to be that of an agent, procuring equipment and supplies on behalf of UHWI. Based upon the Audit Exit Interview conducted by the Auditor General on 2007 March 29, purchases made through Consumerables Direct, were often marked up in some cases in excess of 100%.

UHWI stated that they had engaged Consumerables Direct after being directed by the manufacturers of medical equipment to authorized dealers. Therefore, given that Consumerables Direct are authorized agents for the manufacturers and suppliers of medical equipment, and offer servicing for the equipments under the contract, they were engaged by UHWI. UHWI noted that after reviewing the Auditor General's Exit Interview, they made several checks to verify the level of mark up and found that Consumerables Direct's mark up was actually 40% and not 100% which was communicated in the report. Furthermore, they had sent this information to the Auditor General's Office for them to make adjustments to the report.

- vii.** There is substantial evidence of Procurement Committee Meetings being held at regular intervals, along with evidence of UHWI displaying some degree of adherence to the GPPH. It should be noted that the minutes of the procurement meetings would show decisions being taken on the award of contracts.
- viii.** There are a number of contracts, written and verbal, which have expired, or are operating on an extension basis, without the approval of the NCC and/or the Cabinet. These include:
1. Security services, valued at J\$4,727, 096.84 per month;
 2. Laundry services, valued at \$3,000,000 per month;
 3. Catering services, valued at \$308 million;
 4. Staff transport services, valued at \$2,032,686.49 per month;
 5. General Carpentry services valued at \$597,250 per month;
 6. Steam services, valued at \$147,000 per month;
 7. Medical gases services, currently being purchased via a purchase order;
 8. Quantity surveying services;
 9. Structural engineering services;
 10. Architectural services attract a 6.5% of the value of the implemented contract when commissioned drawing is utilised.

The minutes of the Finance and General Purpose Meeting, dated 2006 October 19, stated that the laundry, security, building electrical and plumbing, catering, medical gases, transport and diesel fuel service contracts were to be re-tendered. Documents presented to the OCG and subsequently reviewed, do not identify any of these contracts actually being tendered or show endorsement for extension by the NCC and/or by the Cabinet. Details on these contracts are listed below:

Security Contract

The exit interview conducted by the Auditor General noted that the security contract with Marksman was dated 1999 March 1, for a one year period, and that the contractor often times billed the hospital at a higher rate than that stated in the contract. According to the Audit Exit Interview conducted by the Auditor General on 2007 March 29, an advanced payment of \$2,000,000 was paid to Marksman on 2006 August 30, for an invoice which totalled \$1,215,150.50. The Senior Director of Finance, Mr. Walters, explained that due to an increase in minimum wages, the contractor had been billing the hospital at a rate higher than that in the contract, before actual approval for this rate was granted by the UHWI Board. The report went further to note that given the fact that the hospital made the payments, this signalled an acceptance of new rates, which were subsequently approved by the Board on 2007 June 29.

In addition, it must be highlighted that the *prima facie* possibility could have existed for a conflict of interest to have arisen by virtue of the fact that a member of the UHWI Board, Mr. Rae (Rapheal) Barrett, also sits on the board of Marksman Ltd., which has been operating the UHWI's security contract since 1999 March 1, without it being put to tender. According to the Office of the Chief Executive of the UHWI, Mr. Barrett has been a member of the UHWI Board since 1997. As at 2006 October 4, Mr. Barrett was also listed as a member of the Finance and General Purposes Committee of the UHWI. The website of Marksman Ltd. currently indicates that Mr. Barrett is its Chairman. Marksman Ltd. has confirmed to the OCG that Mr. Barrett has been a board member of Marksman Ltd. in excess of 20 years.

The subject UHWI/Marksman Ltd. contract was further extended by the UHWI Board on 2007 June 27, for a period of six months, without the matter being referred for endorsement or approval by the National Contracts Commission and/or the Cabinet, in breach of the GPPH. The financial records of the UHWI have disclosed that between 2006 January 1 to 2006 December 31, the UHWI has paid over to Marksman Ltd. a total of \$56,725,162.09 for security services rendered.

Furthermore, Marksman Ltd. was engaged as a consultant in 2003. However, no contract detailing the nature of the service or terms and conditions, was seen. In an interview conducted on September 6, 2007 with Ms. Beverly Porter, Director, Contracts and Services, she explained that Consultancy work was undertaken by Marksman Ltd., in regard to the provision of security services for UHWI personnel. This contract was engaged as a precautionary measure, as a result of a potential threat to the lives of UHWI staff, which arose out of an incident in which discrepancies were found, by UHWI, in the invoices of a supplier who was partially paid. Mrs. Porter explained that the UHWI Board felt that the loss of income to the supplier posed a threat to the welfare of staff members, namely the Acting Chief Executive Officer, Dr. Barrow and Mr. M. Walters, Senior Director of Finance, as well as herself – all of whom were directly involved in the procurement process.

Consequently, this precautionary security mechanism, which included panic buttons and security assistance at home, was implemented. The arrangement was entered into by Guardsman Limited. However, because of confidentiality issues, Marksman Ltd., which was already engaged to provide security services to the hospital, undertook the contract. Under this arrangement, Guardsman would bill Marksman Ltd., who subsequently billed UHWI.

Legal Services

There was also no supporting document to show that there was a written contract for legal services undertaken by Myers, Fletcher and Gordon, which was paid an estimated total of J\$7,430,187 and US\$285.91 between 2006 January and December. In addition, there is no evidence to suggest that this contract was ever put to tender. However, based upon information gathered, it is the understanding of the OCG, that the relationship between UHWI and Myers, Fletcher & Gordon, has been a long-standing one.

Staff Transportation

The contract for transportation of UHWI medical and non-medical staff with Jessa Limited, has been operational since 2005 August 14. However, this contract was not competitively selected. The contract was awarded to Jessa Limited, a break-away arm of Jamaica Cooperative Automobile & Limousine Tours (JCAL), which experienced management problems following the tender process conducted by UHWI. The re-tendering for this service was not carried out and a written contract was not initiated, even though a total of J\$30,449,971.23 was paid to Jessa Limited as at 2006 December. This arrangement is in clear violation of the GPPH Section 5.1.1.2, as contracts valued in excess of \$15 million are required to be put to tender and endorsed by the NCC and the Cabinet. When questioned about this contract, UHWI informed the OCG that it had engaged the services of Jessa Limited, because the previous provider of transportation had stipulated a timeline in which he would withdraw his service. Additionally, because of the urgency of the situation, they engaged the services of Jessa Limited without re-tendering for this service.

Heavy Fuel & Oil

There is also no contract in place for Esso Standard Oil S.A. Ltd., which supplies heavy fuel and oil to UHWI, and has been paid a total of \$36,766,596.11 over the period 2006 January to December. The Audit Exit Interview conducted by the Auditor General on 2007 March 29, revealed that there was no evidence of a written contract, and that the last agreement was done via a letter dated 2002 December 3 and would extend until 2003 February 28.

ix. There are several contracts which UHWI has operated for several years, which have never been tendered. These include:

- 1) The contract with El-Mech, the Steam contract which involves maintenance for the broilers, valued at \$147,000 per month. In addition to the Steam contract, El-Mech was asked by UHWI to assume responsibility for plumbing after the contractor in place withdrew his services. Payment for the plumbing contract is based upon work orders submitted and this was estimated at \$1,100,000 per month.
- 2) Perry's Construction and Drafting has a contract for General Carpentry, which is valued at \$597,250 per month and involves everyday maintenance of the hospital grounds.
- 3) Lloyd Robinson & Associates, which is now operated by Mr. Charles Adamson, has been offering UHWI architectural services for a number of years. The existing arrangement is that Lloyd Robinson & Associates is asked to prepare draft drawings when they are considered necessary. However, they are not paid unless the drawing is put into commission.

If the drawing is implemented, they are paid 6.5% of the value of the implemented contract.

- 4) Highlight Electrical Sales & Service Ltd has a contract with UHWI for electrical maintenance. This is valued at \$316,666.66 per month.
 - 5) Ronham & Associates Limited is responsible for the maintenance of the Hospital's Air Condition units. This contract is valued at \$628,749.32 per month.
- x.** Roofing & General (Caribbean) Ltd. was engaged by UHWI to repair the roofs of the Pediatrician Residence Lounge & Sewing Room at a cost of \$266,098.40 and the Pharmacy at a cost \$1,281,504.32. However, based upon the Audit Exit Interview conducted by Auditor General on 2007 March 29, there is no evidence of a written contract. The report went further to note several areas of concern, including:
- 1) No TCC being presented;
 - 2) UHWI making an advance payment of 50% of \$133,049.20 and \$640,752.16 without having an advance payment security in place is a clear violation of Section 6.1.33 of the GPPH. It states that where advance payments are to be made, these will only be allowed upon presentation of an advance payment security. No advance payment will be made without provision of a surety in the full value of the advance.
- xi.** The following contracts were identified in the Audit Exit Interview conducted on 2007 March 29 by the Auditor General, as being in breach, and in contravention, of Section 6.1.33 of the GPPH. It states that where advance payments are to be made, these will only be allowed upon presentation of an

advance payment security. Section 6.1.1 of the GPPH states that a description of the works to be carried out, goods to be delivered, or services to be performed, should be inserted:

- 1) Highlight Electrical Sales & Services Ltd. was engaged to install computers, telephones and a nurse call system as well as electrical works for a cost of \$1,130,620.96. However, no contract was in place and an advance payment of \$500,000.00 was made on 2006 May 12 without any security being given.
- 2) Ronham & Associates Ltd. was engaged to supply and install one 10 Ton package air conditioning unit at a cost of \$1,250,000.00. UHWI paid a 50% deposit of \$625,000.00 without the contractor providing adequate security for the amount advanced.
- 3) Golding & Associates Ltd. was engaged to renovate cubicles at Ward 7, without a contract being in place. The report noted that there was no evidence that the company submitted a TCC or proof of registration to the NCC. The report went further to note that based upon the movements in the contract sum, i.e. from an initial amount of \$1,779,676 to \$2,391,224, the scope of the work was not clearly defined before work commenced.

UHWI acknowledged that they had, in fact, made advance payments to several contractors in the past without having any security. However, this practice will be examined and stopped given the requirements of the GPPH.

- xii.** The Exit Audit Interview conducted by the Auditor General on 2007 March 29, further highlighted instances where funds were expended by the UHWI and either the goods were not received or the works remained

outstanding. It is the opinion of the OCG that due to the lack of an adequate control mechanism in the award and implementation of contracts for goods, works and services, the required accounting or financial checks and balances were not adhered to by the management of the UHWI. Consequently, on numerous occasions, funds were expended without the corresponding mechanism to determine whether public funds were being disbursed effectively and the expected gains realised. This was clearly displayed in the following instances:

- 1) Hector EMC Inc was paid two advance payments on 2006 November 23, and 2006 December 4 for the purchase of a transformer. As at 2007 March 29, it had not been received nor put into operation.
- 2) Supreme Laundry, between 2006 September and December, was paid an excess of \$102,191.12 over the approved contract sum of \$3 million per month. This, UHWI explained, was as a result of new rates being applied due to an increase in the minimum wage. However, UHWI had not approved the new rates in the initial billing stages.
- 3) Between January to December 2006, Jessa Ltd. has been paid in excess of \$500,000.00 over the approved contract sum of \$2,032,686.49 per month for transportation each fortnight. UHWI explained that this had resulted from several instances where staff members indicated that they would utilize the service and failed to do so. The arrangement in place with Jessa Ltd. stipulates that the UHWI has to pay for a minimum amount of seats, whether it is utilized or not. Therefore, in a bus with a seating capacity of 28, UHWI has to pay for a minimum of 20 seats.

- 4) As a result of a variation in the contract sum, Golding & Associates Ltd. was overpaid. Details of this, however, were not available.

CONCLUSION

- From files reviewed, and other investigative techniques employed, it is our view that the UHWI's management of procurement procedures, and documentation of same, is inconsistent. It is evident that the procurement approach employed by the UHWI staff did not allow for a thorough utilization of the GPPH. This is made clear by their delay in putting to competitive tender, several contracts for services, and the numerous advance payments made to contractors. This has led the OCG to believe that the procurement committee either lacked the requisite knowledge, or acted in such a manner as to give the impression that they did not have the requisite knowledge, to apply the guidelines of the GPPH.
- In a number of cases, there were clear violations of the GPPH, as contractors' services were engaged without a written contract. The UHWI has continued to maintain several contracts which have been operational for a number of years without being put to tender. There is also no evidence to support that these contracts were issued in an impartial and transparent manner. Furthermore, one could conclude that UHWI, in their procurement practices, has not sought to ensure that the spending of the Government of Jamaica's money for goods, works and services was done to obtain best value, given the lack of competitive tendering.

However, the OCG cannot say with any certainty if undue influence, (privileges of powers by the UHWI board and staff) was used in awarding contracts where goods, works and services are concerned. On examining records of contracts that were actually tendered, we noted that contracts were awarded to the lowest bidders in keeping with the hospital's standards. There were, however, instances where the highest bidder was awarded a contract based upon the brand of product being supplied. It is our

recommendation that where a brand preference exists, this should be stated in the initial tender documents so as to give all potential bidders a similar competitive advantage, thereby eliminating any potential appearance of impartiality.

- It is the OCG's view that the procurement procedures are not the main cause of the differences between the former CEO of the UHWI, other management staff and the current Board. This impasse may be attributed to a lack of communication and trust. The Board has been cited by the UHWI Management team as being restrictive in that they have delayed several reviews of documents for a number of the contracts which were to be put to competitive tender. In this respect, we recommend a review of the procurement process at UHWI to ensure that timely and efficient drafting and review of pertinent documents are undertaken.
- There is the lack of a proper management system to coordinate the various departments carrying out the procurement of goods, services and works at the UHWI. It would appear that a 'free for all' type of management was in place. This was evidenced by the many instances in which advance payments were made to contractors without having the necessary advance payment security in place. Where public funds are concerned, it is expected that control systems would have been in place. However, this was not the case at UHWI.

RECOMMENDATIONS

- We recommend that the UHWI draft a formal Procurement Policy & Procedure Document, which should incorporate the necessary steps to be taken when procuring goods, works and services, and the required reporting structure for approval. This document should be used in conjunction with the Government Procurement Policy Handbook. All relevant staff members would be required to become very familiar with both.

- We recommend that procurement workshops, for which the Procurement Policy Implementation Unit of the Ministry of Finance and the Public Service is formally responsible, be conducted, without delay, for all staff who are involved in the procurement process at the UHWI.
- We recommend that regular procurement and financial audits be carried out by the requisite agencies acting on behalf of Parliament. Also, we would recommend that an audit of this nature be done on a quarterly basis and should continue until a satisfactory level of transparency and compliance has been achieved.
- It is our considered view and recommendation (if not yet implemented) that all sitting board members and, likewise, UHWI staff, be made to declare any interest which they may have in any companies that are currently conducting business with the hospital.
- It is recommended that the Commission for the Prevention of Corruption and the Auditor General apprise themselves of the relationship between board members, both past and present, and their affiliations with the various companies that have conducted (or are conducting) business with the UHWI. These relationships should be investigated, *inter alia*, within the context of possible conflicts of interests. We make this recommendation particularly against the background of the inordinately high levels of irregularities which we have observed during our investigations. It is our considered belief that in-depth investigations should be conducted by the referenced authorities to determine definitively if there are/were circumstances which would warrant criminal prosecution.
- We recommend that a review of the agency's records management systems, past and present, be undertaken, and an appropriate system developed to enable the efficient and effective storage of procurement records. This will ensure an enhanced level of transparency in so far as the agency's procurement and contract award history is concerned. It will also allow all stakeholders to have access to a comprehensive set of analytical data for future comparisons and planning purposes.

- We recommend that the Auditor General be brought in at the UHWI to undertake a comprehensive audit to address the allegations of financial impropriety which have been levied against various staff and board members. This is a matter which falls outside of the OCG's jurisdiction.
- Finally, we would recommend that the Permanent Secretary take a more proactive and aggressive role in developing, implementing and enforcing effective risk management systems, checks and balances and other appropriate management systems at the UHWI, in an effort to mitigate against any possibility of deviations from the GPPH by the institution's management and procurement staff.