QUOTES FROM MFP REPORT

- In June 1999, happy with Dell, the City ordered 3,500 more computers— without a tender or Delegated Approval Form and without informing Council. Ms. Viinamae may have made the right business decision not to tender, but that is not enough. Spending the taxpayers' money demands transparency and accountability, which in turn requires the right approvals (page 25).
- No one in Purchasing had any meaningful experience with leasing. Nevertheless, they sought no outside expertise before issuing the call document. They thought that this square-peg acquisition could be hammered into a familiar, round-hole purchasing process (page 39).
- Purchasing and IT were also at cross-purposes about what was being acquired. For example, Purchasing didn't know that IT's idea was to get an open-ended deal with an exclusive leasing vendor of record, with no limit on the amount of equipment that could be leased during that period. Had staff in Purchasing known the facts, the type of tender document issued, its contents, and the evaluation of the bids would likely have been very different (pages 39-40).
- The tender document issued by Purchasing was an RFQ, but it should have been an RFP. RFQs are used when the City knows exactly the type and quantity of goods it wants to buy, while RFPs ask bidders to provide a solution to a problem that could be solved in different ways. IT led Purchasing to believe that the acquisition would be a simple question of the best price for exactly the same thing. It was more than that. The tender included hardware, software, and complicated financial considerations like a sale and leaseback (page 40).
- How did the tender end up being issued as an RFQ? It goes back to IT, the drafting of the RFQ, and the consultant Jim Andrew assigned to work on the computer leasing transaction: Brendan Power. Mr. Andrew and Mr. Power were long-time friends and co-workers, and Mr. Andrew was under the mistaken impression, as was everyone else at the City involved in the leasing transaction, that Mr. Power was an expert in IT leasing. He was not. But he did not set them straight about his lack of experience and became the lead person on the acquisition, including drafting the RFQ. To make things worse, he was virtually unsupervised by senior IT staff (page 40).
- While IT's expectation was that the successful bidder would become a vendor of record for an ongoing leasing program, this was not in the tender document. It was not even clear between the City departments drafting the shopping list (page 41).
- So, as could be expected, the analysis of the responses to the RFQ suffered from the same ill-defined roles and lack of communication that had beset the drafting of the RFQ itself. IT had one understanding, Finance had another, both unstated. As a result, in conducting the analysis, Finance ended up with the wrong idea of the scope of the analysis to be done (page 45).
- [Director of the Year 2000 Project Management Office] Lana Viinamae and Brendan Power had given [Senior Financial Analyst] Mr. Rabadi to understand that all $43 million of assets would be put on lease within the 90 days. That was wrong. But, inexplicably, Ms. Viinamae knew nothing about a 90-day rate

guarantee. No one had ever told her, so she didn't know the City had to move quickly (page 46).

- The wording of the report [to Policy & Finance recommending MFP as the successful bidder] later caused confusion over the meaning of the recommendation to enter into a contract with MFP for a "three-year period." IT understood it to mean that the City would enter into a vendor of record relationship with MFP for three years, while Finance understood it to mean that the lengths of the contracts would be three years (page 47).
- Nor would readers of the report have known that MFP was the lowest bidder only within the 90-day guaranteed rate window, which was already half over when the report went to P&F. If staff had put this in the report, councillors might well have asked the crucial question: "What if all the equipment is not on lease within 90 days?" If they had been given the information that would have prompted that question, things might have turned out much better for the City (page 50).
- Staff should have gone back to Council to clarify [Jakobek's] amendment instead of just forging ahead blindly. If the amendment actually meant that five-year leases were now possible, the original tender had changed dramatically, and the City should have re-tendered the deal (page 50).
- While Mr. Power did have some expertise in leasing, he did not see himself as a leasing expert. Yet with very little oversight, he negotiated a multimillion-dollar contract almost entirely on his own. He did not involve the Finance department in negotiations. Nor did he make proper use of the City's outside counsel, Mark Fecenko, a senior lawyer who had co-written a book on computer-related agreements, and who had been specifically retained to help on Y2K matters such as this (page 53).
- The RFQ asked for three-year lease rates, yet the very first lease schedule the City signed with MFP on October 1, 1999, was for five years. The switch to five years boosted MFP profits and substantially reduced its risk. It also cost the City far more than the three-year lease MFP had quoted in its bid. Yet experts told the inquiry that the extension to five years had little if any merit (page 57).
- By the time MFP and the City signed the first lease, there was already $38 million of equipment on lease. By the end of 1999, there was $57 million. By the time the City halted the leasing program in June 2001, it was $84 million. The inquiry's leasing expert testified that total lease payment obligations would end up being more than $100 million (page 57).
- The lack of documentation is astounding. Not one person thought to document what was happening (page 57).
- The July 1999 report to P&F had specified that IT would centrally manage the contract administration. The Contract Management Office (CMO) was created within IT to do just that. By the fall of 1999, Lana Viinamae was in charge of computer leasing at the City. She had no prior technology leasing experience. She hired three people to staff the CMO, but none of them had any leasing experience either. As a result, the CMO was simply not up to the job (page 61).
- The CMO and other IT staff were operating under the mistaken assumption that Council had approved a "leasing program." There was no leasing program. Council only authorized putting $43 million worth of equipment on a three-year

lease with MFP. Nevertheless, the CMO staff seemed to believe that City Council had actually authorized putting all computer hardware and software acquired over a three-year period, not limited to $43 million, on lease with MFP. They also believed that MFP was the City's vendor of record for leasing. That wasn't accurate either. It is difficult to understand how so many people could have had such a complete misconception about what Council had really authorized (pages 61 & 62).

- The CMO was administering a nonexistent leasing program, but it was doing it with determination and gusto. The forms and processes for leasing continued to be revised and refined and were posted to the City's intranet site. CMO staff had meetings with other City departments and explained the leasing procedures. They created detailed electronic tracking spreadsheets for the leased equipment. As a result, the fiction spread throughout the City (page 62).
- Administering the sale and leaseback of IT equipment was a bureaucratic nightmare. First, no one had tracked the assets to be sold to MFP, so there was no easy way to pull together that very basic information (page 62).
- It took several months to finally determine which items should be on lease. In the meantime, some vendors ended up being paid by both the City and MFP, and some complained that they weren't paid at all (page 62).
- When the original 1997 leases for the councillors' computers expired, Jim Andrew mistakenly thought that a report to Council was unnecessary. As a result, without the approval of City Council, the City entered into a new lease with MFP for the councillors' computers, for a 36-month term, at a cost commitment of $720,908 (page 63).
- On December 31, 1999, the eve of Y2K, the City bought 10,000 Oracle "enterprise licences," along with technical support for five years, at a total cost of $11,336,651. Enterprise licences were the most costly type of licence available from Oracle. The whole amount of software and support was put on lease with MFP. There was no competitive process for this acquisition (page 75).
- How the decision was made to acquire over $11 million worth of Oracle software and support, whether it was a reasonable decision, and whether proper procedures were followed are all questions virtually impossible to answer, given the almost complete lack of documentation. There was no financial analysis of Oracle's proposal or of the effect of leasing the acquisition. There was no clear chain of authority for spending that much of the taxpayers' money (page 75).
- Even if up to 2,000 new Oracle licences were a genuine Y2K need, not all 10,000 enterprise licences fell into that category (page 76).
- The most up-to-date Oracle analysis in May 2003 showed only 5,972 Oracle users. In hindsight, it is not at all certain that the City needed 10,000 enterprise licences (page 76).
- In 1996, Metro issued a major RFP to create a shortlist of suppliers of IT consulting services. The RFP ended with "A-list" and "B-list" winners. The A-list winners would sign contracts for 1997, 1998, and 1999 and could bid on work without limit. The B-list consultants had ongoing work with Metro which they could finish in 1997 only, and they could bill only up to set amounts. Ball Hsu made the B-list with a limit of $500,000. Metro Council approved the two lists

without change in January 1997. Yet the same day, Ball Hsu and other B-list contractors signed A-list contracts for three years with no limits. No one could explain how this had happened.