

Chapter II

Selection of Vendors

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2.1 Engagement of Private Agencies

Dial 100 project involves management of Call centre, Dispatch, Fleet of FRVs and of the Incident as well as Technical assistance. Three components i.e. Call centre Management, Fleet Management and Technical Assistance stand outsourced to private agencies. Dispatch and Incident Management are managed by the department.

The Department engaged the following private agencies for the Dial-100 project (Table 2.1):

Table 2.1: Agencies engaged for Dial 100 project

Sl. No.	Agency	Purpose for engagement	Period of Service	Contract Amount (₹ in crore)
1	System Integrator: M/s B.V.G India Limited Pune	<ul style="list-style-type: none">• Provision of goods and services for setting up and operating the Centralized Dial 100 Call Center and Command cum Control Room;• Fleet Management	5 Years i.e. 30.4.2015 to 31.3.2020 (Extended up to December 2021)	541.03
2	Project Management Consultant: M/s Grant Thornton India LLP Gurgaon	For providing Project Management Consultancy Services.	5 Years i.e. 05.8.2015 to 31.3.2020 (Extended up to December 2021)	3.49

Our audit revealed conflict of interest and modification of bid evaluation criteria after the bids were received, the deviations impacting the sanctity of the tendering process. These are detailed in the paragraphs below:

2.1.1 Selection of System Integrator

The department floated an open tender (June 2014) for a System Integrator for the Dial 100 project in which only one bidder was found technically qualified. Since the policy required minimum of three bids, the department re-tendered in September 2014, against which three bidders participated and were found technically eligible, of which M/s BVG India Pvt. Ltd. was selected and awarded the contract for System Integrator in May 2015.

We found the following deficiencies in the selection:

- The Department hired (April 2014) the services of M/s KPMG Advisory Services Private Ltd, Mumbai as a consultant for six months for Information and Communication Technology (ICT) interventions and Enterprise Resource Planning (ERP) solution in the department including preparation of Detailed Project Report (DPR) and the Request For Proposal (RFP; for floating tenders) for the Dial 100 project¹, for which it was paid ₹ 1 crore. M/s KPMG submitted the draft RFP in June 2014. But the Department floated the tender (September 2014) for System Integrator, without waiting for the DPR from M/s KPMG. The Government replied (August 2021) that preparation of DPR and RFP for ICT intervention was included as deliverable in the scope of work. As DPR had already been submitted (July 2013) to the Government and approval of the project had been obtained (March 2014) the next action to be performed by the department was issue of RFP for selection of System Integrator.
- The Detailed Project Report forms the basis for seeking the approval from the Government and for preparation of tender documents. The Government informed us (August 2021) that the revised DPR for Dial 100 project on which the Government conveyed (11 March 2015) its final approval was based on actual price discovery in tendering. Thus the bids informed the DPR instead of the reverse i.e., the DPR informing the sanction for the project.
- Tenders must not contain ambiguities². The tender for the System Integrator included an indicative list of requirements³ with a provision that allowed vendors to modify the items as per actual requirement. As a result, three bidders— M/s Larsen & Toubro Ltd., M/s GVK Emergency Management & Research Institute and M/s. BVG India Ltd. — submitted list of 25, 50 and 548 items respectively against the indicative requirement of 43 items. As the details of deliberations of the Technical Committee were not made available to Audit, we could not verify as to how the department compared the technical bids of the three vendors to finally award the contract to M/s BVG India Ltd.
- Information we accessed showed that M/s KPMG Advisory Services Pvt. Ltd. was the Auditor for M/s BVG India Pvt. Ltd. during 2009-19. Clause 5.2 of the contract required the consultant to disclose any conflict of interest. M/s KPMG did not report this conflict of

¹ As per clause 7.3 of the agreement.

² MP Finance Code-Vol. I (Rule 21 (1), Part- IV of Chapter-II) stipulates that there should not be any ambiguity or misconstruction in the terms of contracts, where the expenditure is met from the consolidated fund of the state.

³ Bill of Quantity (BoQ).

interest and was also actively involved in the selection process of System Integrator (M/s BVG). The Government replied (August 2021) that while it was true that M/s KPMG did not report the matter, at the time of finalisation of bid, M/s KPMG was no longer consultant to the Department. So, there was no occasion that M/s KPMG could have influenced the process. The reply of the Government is not acceptable. We noted that M/s KPMG had in December 2014, provided the Department its opinion that the price quoted by M/s BVG was appropriate. Further the department itself had given completion certificate on submission of all deliverables (by M/s KPMG) on 19th May 2015, i.e., after the contract was awarded to M/s BVG. Therefore, M/s KPMG was actively involved in selection of System Integrator till the award of contract in May 2015 without disclosing its business relationship with M/s BVG as auditor.

2.1.2 Selection of Project Management Consultant

The department floated a tender in September 2014 for selection of Project Management Consultant (PMC), against which only two bidders were technically qualified. As the policy stipulated a minimum of three bidders, the department re-tendered in February 2015 for PMC wherein four bidders participated. The Technical Evaluation Committee⁴ accepted bids of two bidders as indicated in Table 2.2:

Table 2.2: Evaluation of Marks by the Technical Committee

Criteria for technical evaluation	Total Marks	Marks allotted to M/s			
		Deloitte	E&Y	Grant Thornton Pvt. Ltd. Gurgaon	PWC Pvt. Ltd. Gurgaon
1. Company profile	15	15	15	13.5	15
2. Experience of Company	20	14	20	11	20
3. Adequacy of the proposed methodology and work plan in responding to the terms of Reference and Presentation	15	10	10	10	11
4. Quality and competency of key professional staff proposed	50	30	21	38	38
Total:	100	69	66	72.5	84

⁴ Technical evaluation committee members: 1. IGP (Planning) 2. Principal scientist and Head MP Resource Atlas Division 3. Professor Electronic and Communication MANIT, Bhopal 4. Specialist nominated by Secretary IT Department Govt. of MP 5. AIG (SCRB) 6. SP/DSP (Radio) Workshop 7. Representative nominated by Director NITTTR, Bhopal 8. Inspector (Radio) Workshop, Bhopal.

Qualifying marks for technical eligibility was 70 in the RFP. Above table indicates that only two bidders i.e. M/s Grant Thornton and M/s PWC Private Ltd. were eligible technically.

The Central Purchase Committee (CPC) scrutinised the financial bids of the technically eligible bidders and on the basis of scores (Table 2.3), recommended award of contract to M/s PWC Pvt. Ltd.:

Table 2.3: Final Score of the Bidders

(₹ in crore)				
Sl. No.	Name of firm	Technical score as per TEC	Financial bid value	Final Score ⁵
1	M/s PWC Pvt. Ltd. Gurgaon	84.0	₹ 4.68	81.16
2	M/s Grant Thornton Pvt. Ltd. Gurgaon	72.5	₹ 3.49	80.75

However, the then Director General of Police (DGP) did not accept the scores on the ground that the Technical Evaluation Committee did not specify sub-category wise marking which added to the scores against “adequacy of the proposed methodology and work plan in responding to the terms of Reference and Presentation”. On this ground, DGP removed the above criteria from the score card, thus effectively reducing the total marks from 100 to 85, against which the L2 bidder M/s Grant Thornton Pvt. Ltd. became the most favourable bid (Table 2.4). In our opinion, the DGP extended undue favour to M/s Grant Thornton Pvt. Ltd., through a questionable deletion of a qualifying parameter after the bids were received.

Table 2.4: Final Score, as finalized by the DGP, after deleting the third parameter that carried a score of 15 marks

Sl. No.	Name of firm	Financial bid value	Technical score	Final Score
1	M/s PWC Pvt. Ltd. Gurgaon	₹ 4.68 crore	73.00	73.46
2	M/s Grant Thornton Pvt. Ltd. Gurgaon	₹ 3.49 crore	62.5	73.75
3	M/s Deloitte Pvt. Ltd., Gurgaon	Financial bid not opened	59.00	NA
4	M/s E&Y Advisory services Pvt. Ltd. New Delhi	Financial bid not opened	56.00	NA

⁵ Bb = $0.7 Tb + (0.3) * (Cmin/Cb * 100)$ where-
 Bb = Overall score of bidder under consideration (calculated up to two decimal points)
 Tb = Technical score for the bidder under consideration
 Cb = Financial bid value for the bidder under consideration
 Cmin = Lowest financial bid value among the financial proposals under consideration

The Government stated (August 2021) that the DGP found the evaluation of TEC erroneous and not objective. The technical parameter of “*Adequacy of the proposed methodology and work plan in responding to the Terms of Reference and Presentation*” was subjective and an indeterminate criterion. The DGP, in his wisdom, prudence and diligence and by giving a detailed reasoned speaking order, saved ₹ 1.19 crore for the department. The process of retendering and the consequent delay in implementation of the project would have been at a very high cost.

The reply of the Government is not acceptable since the guidance on procurement states that relaxing the criteria during evaluation after the bids were received, create potential entry barriers to the other potential bidders. Should the DGP have felt that the criteria are not valid, he should have referred the matter back to the Technical Evaluation Committee or the Central Purchase Committee for re-consideration. Alternatively, he should have issued order for re-tendering. We concluded that deletion of a criteria at the stage of bid evaluation, vitiates the tendering process.

The contention that the DGP’s decision saved ₹ 1.19 crore is clearly an afterthought as the DGP never assigned any such reason in his speaking order. Further, the department had assigned 70 *per cent* weightage to technical capability and 30 *per cent* weightage to financial capability of the bidders under the Quality and Cost Based Selection (QCBS) method. The cost alone was not the sole criterion.

Recommendation 1:

Government may ensure that the laid down procedures are followed in the IInd phase of the project to ensure transparency in tendering.

2.1.3 Shifting of Departmental activities to the Project Management Consultant

The Department entered into an agreement (August 2015) with the Project Management Consultant (M/s Grant Thornton Pvt. Ltd. Gurgaon) for management and monitoring of the Dial 100 Emergency Response System. We noted that certain aspects of monitoring like coordination with various stakeholders, and payment of bills which were best carried out by the Department were included in the deliverables of the Project Management Consultant. We are of the opinion that it is not appropriate to outsource the above activities as they are core activities to be carried out by the Department itself.

Department (November 2021) stated that services of Project Management Consultant (PMC) were required for implementation, monitoring, maintaining and smooth functioning of the project and these services were taken as per instruction of State Planning Commission. Role of PMC was to guide and to recommend the penalties after verification and scrutiny of bills.

Reply of the department is not acceptable as co-ordination with various stakeholders should have been carried out by the department itself for effective monitoring of the project.