

**AUDIT OF CONTRACT MANAGEMENT
ROLES AND RESPONSIBILITIES
ACQUISITIONS BUSINESS LINE**

2005-718



Final Report

Public Works and Government Services Canada

Audit and Evaluation Branch

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Main Points

This Main Points is not a stand-alone document and must be read in conjunction with the body of the report.

What we examined

The focus of this 2005 audit was to provide assurance on the extent to which contract administration roles and responsibilities are clearly defined and understood, thereby contributing to the successful management of a contract according to time, cost and performance. The audit also assessed the risks delineated for contracting process stages and the risk mitigation strategies in the plan proposed by the Acquisitions Branch on the roles and responsibilities for Public Works and Government Services Canada (PWGSC) in contract management.

We examined a sample of 515 contracts, and concluded on contracting activities from the award stage, for the most part, until completion of the requirement, or until the time of the detailed examination phase of the audit. These conclusions relate only to the sample audited and should not be attributed to all the contracts. The *Audit of Contract Quality Control and Quality Assurance Functions*, which was undertaken concurrently with this audit, examined the same 515 contracts from the identification of a requirement by a Client department until the award stage of the contracting process.

Why it is important

Throughout the life of a contract, PWGSC and ultimately its Minister, remains the contracting authority of record. Contract management or contract administration is a critical component of the overall contracting process, in that, if not properly managed, it can expose PWGSC, Client departments, and suppliers to significant risks. Shared responsibility for contract administration includes ongoing monitoring of time, cost, and delivery; resolution of disputes and problems; management of contract variations or amendments; payment arrangements; and assessment of the supplier's performance.

What we found

The audit was undertaken in 2005-06. During the audit engagement, the policies and the understanding at that time was that contract administration, a critical component of the contracting process, was a shared responsibility between PWGSC and its client departments.

For shared contract administration activities we observed a dramatic shift in the risk to PWGSC. This increased risk was evident by a decrease in documentation on the sampled contract files with regards to involvement in changes in scope, contractual obligations, and evaluation of satisfactory performance.

Based on policies at that time, the audit concluded that accountability for contract administration as a shared responsibility, between PWGSC and the client departments, was not clearly defined. Furthermore, there was a lack of recognition and acceptance by all parties that PWGSC as contracting authority remained accountable in discharging these responsibilities. Although we

found that Acquisitions business line had consistently differentiated those actions and decisions taken by the Client versus the actions and decisions taken by PWGSC. Finally, the responsibilities placed on PWGSC in relation to contract administration, under existing policies, demanded a level of accountability that may not have been reasonable.

However, there has been extensive re-thinking on the role and responsibility of PWGSC with regards to contract administration. A new Treasury Board Policy on Managing Procurement is expected to be promulgated by the Government in late 2008. Finally, we concluded that the change management initiatives through procurement transformation can be expected to address many of the findings that were identified in this audit.

The audit makes three recommendations:

1. The Assistant Deputy Minister, Acquisitions Branch needs to reconsider the responsibilities of PWGSC as contracting authority in relation to contract administration and may want to pursue changes in the PWGSC Supply Manual to better reflect reasonable responsibilities for the Department.
2. The Assistant Deputy Minister, Acquisitions Branch needs to communicate and formally document a definite delineation of roles and responsibilities between PWGSC and client departments.
3. If responsibilities as contracting authority are not changed, the Assistant Deputy Minister, Acquisitions Branch needs to ensure that Acquisitions Branch monitors contract administration activities of client departments and takes action where appropriate.

Management Response:

The report's findings relate to a sample of 515 contracts awarded up to March 31, 2005, and not all contracts awarded by PWGSC. Management accepts these findings.

Over the past two years during which the audit was conducted, the department had been taking actions to address the report's findings and recommendations. More specifically, the Associate Deputy Minister and responsible PWGSC senior management have examined and clarified the department's roles and responsibilities. Further, the Acquisitions Branch is in the process of and will continue to lead a significant change management initiative through procurement transformation which includes actions in six key areas – changes to procurement policy, streamlining military procurement, improvements and efficiencies to contracting processes, modify relationships with stakeholders, increase people capacity and training, and modernize acquisition tools. Finally, in May 2007, the Department launched a six-point action plan to strengthen procurement activities. These activities will address many of the findings in this report.

In addition to these actions, the Acquisitions Branch understands that the Audit and Evaluation Branch and Office of the Chief Risk Officer will be considering the audit recommendations and the observations contained in other various audits and reviews related to procurement activities

and will be identifying lessons learned. The Acquisitions Branch looks forward to the results of this exercise.

Introduction

The audit was proposed as an addition to the Audit & Evaluation 2005-06 Audit Plan. It was undertaken to provide assurance and information on the extent to which roles and responsibilities for contract administration are clearly defined and understood, and to assess the risks delineated for contracting process stages and the risk mitigation strategies in the plan proposed by the Acquisitions Branch on the best role for PWGSC in contract administration.

Background

Acquisitions Branch is the office of primary interest for issues related to procurement, and provides operational authority, direction, and notification of changes in policy or practices to all procurement staff in PWGSC. Acquisitions Branch provides direct authority to procurement staff employed in the Sector Headquarters, and functional authority for procurement staff employed in the Regions or other Branches. The term “Acquisitions business line” refers to all procurement staff in the Acquisitions Branch and the Regional Offices.

The authority for procurement is contained within the legislation that constitutes PWGSC as a Common Service Organization and confers certain powers on its Minister. The *Department of Public Works and Government Services Act* gives its Minister exclusive authority to acquire material or goods. Authority to procure other commodities, such as services and construction is delegated to other government departments with a limitation in financial authority. Procurements above those limits require the other government department to obtain the approval of PWGSC and/or the Treasury Board.

Treasury Board’s Common Services Policy states that: *“details of the Common Service Organization (CSO)-client relationship will normally be covered in general memoranda of understanding ... Clients are generally responsible for determining what they want, where and when; the CSO is normally responsible for determining how services will be provided to meet the needs of clients.... This does not mean each party functions in isolation. On the contrary, ... it is essential that there be well-established lines of communication at all stages in the life-cycle, reflecting the CSO-client division of responsibilities.”*

The policies and the understanding at the time of the audit engagement was that contract administration, a critical component of the contracting process, was a shared responsibility between PWGSC and its clients departments. Simply stated, requirement and use is a Client responsibility; contracting is a PWGSC responsibility; contract administration is a shared responsibility; and disposal of goods is a PWGSC responsibility. However, there has been extensive re-thinking on the responsibility of PWGSC with regards to contract administration. A new Treasury Board Policy on Managing Procurement is expected to be promulgated by the Government in late 2008.

Throughout the life of the contract, PWGSC and ultimately its Minister, remains the contracting authority of record. Contract administration is a critical component of the overall contracting process, in that, if not properly managed, it can expose PWGSC, Client departments, and suppliers to significant risks. Contract administration, which is a shared responsibility includes:

- ongoing monitoring of time, cost, and delivery;

- resolution of disputes and problems;
- management of contract variations or amendments;
- payment arrangements; and
- assessment of the contractor's performance.

In July 2004, Acquisitions Branch was tasked by the Deputy Minister to clarify the roles and responsibilities for PWGSC in contract management by delineating the risks for each stage of the contracting process and identifying risk mitigation methods.

Focus of the Audit

The focus of our 2005 audit was to provide assurance on the extent to which roles and responsibilities for contract activities are clearly defined and understood, thereby contributing to a successful management of the contract according to time, cost and performance. The audit also assessed the risks delineated for contracting process stages, and the risk mitigation strategies in the plan proposed by the Acquisitions Branch on the roles and responsibilities for PWGSC in contract management.

We examined a sample of 515 contracts, and concluded on contracting activities from the award stage, for the most part, until completion of the requirement, or until the time of the detailed examination phase of the audit. These conclusions relate only to the sample audited and should not be attributed to all contracts. The *Audit of Contract Quality Control and Quality Assurance Functions*, which was undertaken concurrently with this audit, examined the same 515 contracts from the identification of a requirement by a Client department until the award stage of the contracting process. More information on the objectives, scope, approach, and criteria can be found in the section: 'About the Audit'.

Observations

1. Roles and Responsibilities

1.1 After award, there was a dramatic decrease in PWGSC's contracting role.

A clear definition and understanding of contracting roles and responsibilities was important given that in any one year, PWGSC in its role as Contracting Authority deals with approximately 60,000 transactions totalling \$11.4 billion and acquires goods and services on behalf of approximately 100 federal departments and agencies.

The audit expected that the procurement roles and responsibilities of all parties would be clearly defined and understood based on the policies and understanding of the time of the audit engagement. Standards that provide a general description of contracting roles and responsibilities include the Treasury Contracting Policy, PWGSC Customer Manual, and Memorandum of Understandings.

At the time of the audit, Acquisitions Branch had posted a PWGSC Customer Manual on the Internet, which stated that Client departments are generally responsible for:

- identifying the need;
- preparing the statement of work using performance specifications, wherever practical;
- determining security requirements;
- acting as technical authority;
- accepting the work; and
- providing quality assurance.

PWGSC's responsibilities were to:

- ensure the requirement is clearly defined;
- develop a sourcing strategy and identify potential sources of supply;
- prepare procurement documents and identify security concerns;
- solicit bids;
- evaluate bids;
- enter into contract;
- provide effective management and administration of the contract;
- maintain records of the acquisition process; and
- plan and organize to assure quality.

We observed that for a limited number of Client departments, there were documented roles and responsibilities for management of a contract. For Department of National Defence, which is one of PWGSC's major Client departments, Acquisitions Branch had included a list of general roles and responsibilities in its Supply Manual. For other Client departments, such as Canadian Commercial Corporation, a Memorandum of Understanding had been prepared and signed that lists a procurement responsibility matrix for the two entities. For the PWGSC Real Property Services Branch, which undertakes construction and real estate activities on behalf of departments, there was a draft 2004 Accountability Framework. Other various documents on roles and responsibilities had been created by PWGSC procurement staff to deal with a specific contract's complexity, value, or length of term of the requirement, and the level of procurement experience of the Client department, including a matrix that provided a generic division of anticipated responsibilities between PWGSC and Client departments, and identified risks in certain types of contracts.

We observed that the risk of non-compliance to contracting policies and practices was lowest in the procurement activities prior to contract award. These observations are included in the Audit & Evaluation Branch report on the *Audit of Contract Quality Control and Quality Assurance Functions*. The primary factor for this was the control and expertise residing with the Acquisitions business line staff. They mitigated non-compliance and provided education and guidance to Client departments in the preparation of requirements and statements of work.

However, for contract administration activities after contract award, we observed a dramatic shift in the risk to the department. The policies and the understanding at that time was that PWGSC as Contracting Authority had a shared accountability for the contract until the requirement is

fulfilled. The Treasury Board Contracting policy (11.001) states: “*Contracting officers must ensure that the terms of the contract are met and that the Crown's interests protected.*” This increased risk to the department was evident by a decrease in documentation on the sampled contract files with regards to involvement in changes in scope, contractual obligations, negotiations and evaluation of satisfactory performance.

Because of this shared accountability and the requirement that the contracting authority assume some level of responsibility for actions that were outside the scope of their involvement, the audit concluded that the responsibilities placed on PWGSC in relation to contract administration under existing policies demanded a level of accountability that may not have been reasonable.

1.2 Many engaged in contracting do not fully understand roles & responsibilities.

To ensure crown assets are protected, it is important that all parties, particularly Client departments, fully understand their roles and responsibilities.

The audit expected that the majority of parties engaged in contracting activities would understand their procurement roles and responsibilities.

When we asked the question if the different procurement roles and responsibilities of a PWGSC Contracting Officers and a Client Program Officer were well understood by all parties, most of the interviewees responded that they believe that all parties understand their roles and responsibilities. In general, it was believed that roles and responsibilities were better understood by PWGSC Contracting Officers than by Client Program Officers, suppliers, and end users. In addition, Clients and suppliers were not as fully aware as PWGSC Contracting Officers of the modifications to contracting policies and practices as a result of changes in trade restrictions, Government direction, security, Canadian Internal Trade Tribunal decisions, and Trade Acts or Canadian Laws.

We also asked a question on the use of Standing Offers and Supply Arrangements, which have been put in place by PWGSC on behalf of the Government. Different roles and responsibilities apply to these contracting tools, and Client departments are mandated and encouraged to use them to assist in the efficient delivery of their requirements. We asked the Client Program Officers if they were responsible for call-ups against these tools, and if so, did they receive regular reporting of usage by the suppliers. Of the 21 interviewees, most were responsible for call-ups. However, one-third of those had no system in place for tracking usage on call-ups, and most did not receive or were not aware of regular reports of usage that suppliers were to provide as part of the terms and conditions of the Standing Offer.

Acquisitions business line officers interviewed felt that one method to improve the understanding of procurement roles and responsibilities, without formal documentation, was to have more face-to-face meetings with Clients and suppliers prior to commencing the contract and periodically during the contract administration. Another method was to provide training sessions to program and contracting officers in Client departments. We were informed by interviewees that the greatest impediment to these activities was the limited time and resources of Acquisitions business line officers.

The resulting limited understanding of and respect for contracting roles and responsibilities is expected to be addressed through the procurement transformation change management initiatives.

1.3 Contracting Roles and Responsibilities not always respected.

We reviewed and analyzed a sample of 515 contract files in Acquisitions business line from the point of contract award until the completion of the requirement or until the time of the detailed examination phase of the audit. These observations relate only to the sample audited and should not be attributed to all contracts. We have reported the observation in two parts. The first part (1.3.1) provides observations on the Client's non-compliance to federal contracting and financial policies, and the second (1.3.2) addresses PWGSC contracting authority's roles and responsibilities.

1.3.1 Client Department's contracting role

- **Client's financial authorization and payments were not always compliant with the terms and conditions of the contract.** The audit found limited examples of invoices paid beyond the value of contract; rates paid that were not consistent with the contract; holdbacks taken when not in the contract; and, invoices paid that did not reconcile to basis of payment or had no back-up.
- **Client's changes to the stated requirement were not always compliant with the terms and conditions of the contract.** The audit found limited incidents of situations where employee/employer relationship were created; work which was not within the original scope was added; amendments were done to include prior rights and obligation clauses for work done before the contract was put into place; contracts were issued with an agreement to provide government-supplied material to a manufacturer, but the Client did not, resulting in supplier delays, lay-offs, and compensation; higher hourly rates for subcontracted individual were accepted, when there were no contract provisions to hire subcontractors; and statement of work requirements were changed after the bids were closed.
- **Clients did not always abide by clearly defined roles and responsibilities.** In three files, the Client failed to advise Acquisitions business line to contract on behalf of the Canadian government, even though clear roles and responsibilities existed in a detailed and signed Memorandum of Understanding. As a result, Acquisitions business line had to put in place confirming contracts for work that had already been completed by the supplier.

We observed contract files that contained documents that demonstrated the Client's non-compliance to contracting and financial policies. Although aware of non-compliance by Client departments to contracting and financial policies, Acquisitions business line felt the venues to rectify or report the situation were limited.

1.3.2. Acquisitions business line's contracting roles

- **Amendments.** In a few cases, documentation to demonstrate that Procurement Officers negotiated pricing for changes, deletions or additional work in amendments was weak.

- **Contractual requirements.** In many cases, sampled files lacked documentation that demonstrated that the contractor maintained contractual requirements throughout the life of the contract. Documents that would demonstrate this include usage reports, inspection and acceptance reports, deliverable reports generated by Clients, minutes, correspondence, leasing documents, invoices, insurance or updates, security or updates.
- **Limited BF systems.** In many cases, the sampled files had no documented evidence of timely brought-forward systems that aid in dealing with options, long-term warranties, and re-tendering of future and continuing requirements.
- **Annual Cost Audits not always requested.** We observed cases where the Procurement Officer did not request annual auditing of all contracts that contained an audit clause and whose financial arrangements placed the Crown at a higher risk.
- **Limited Closure of files.** In many cases, the sampled files had limited documentation of the evaluation of the performance and completion of the contract.
- **Close relationship.** The Real Property Services Branch was the client in 111 of the contracts sampled. The audit concluded that the close relationship between the ‘client’ and ‘contracting authority’ may have increased the risk of non-compliance to government contracting policy.

We observed that one of the reasons that roles and responsibilities for contract administration were not being respected was because the way that employee performance was measured. Recognition and performance in the Client’s careers resulted from achievement of results of a requirement or mandated responsibility. As well, efforts and performance incentives by Acquisitions business line staff were focused on putting the next contract in place, rather than administration of an existing contract.

The issue of roles and responsibilities is complex. We believe that this complexity contributed to the non-compliance to contracting and financial policies and the lack of respect for contracting roles and responsibilities that we observed. The impact was an increased risk that the Contracting Authority remained accountable, based on policies at that time, for ensuring that the contracting process and all aspects or risks associated with a shared contract administration were being effectively managed, even though they may not have been in a position to ensure that the terms of the contract were met and that the Crown’s interest were protected. These observations further support the audit conclusion that the responsibilities placed on PWGSC in relation to contract administration, under the existing policies, demanded a level of accountability that may not have been reasonable.

2. Clarifying roles and responsibilities for Acquisitions Branch

We expected that actions taken by Acquisitions Branch to clarify roles and responsibilities for PWGSC Contracting Authority and identify related risks would be clear, achievable, and communicated.

In July 2004, Acquisitions Branch was tasked by the Deputy Minister to clarify the roles and responsibilities for PWGSC in contract management by delineating the risks for each stage of the contracting process and identifying risk mitigation methods.

By November 2004, Acquisitions Branch prepared and presented a document entitled “*Steps in the Contracting Process and Associated Accountabilities*”, which clustered contracts into five levels of complexity and risk. The five levels of procurements were:

1. Pre-configured – firm price procurements of goods or services, such as furniture, computers, temporary help;
2. Project Implementation – firm price procurements of minor construction or retrofit in projects, such as Bank St. Building;
3. Mission Developmental – target incentive ceiling procurements for programs, such as fleet renewal;
4. Business Transformational – partnerships or performance incentives procurements for programs, such as Government of Canada Market Place; and
5. Public Policy – partnerships or performance incentives procurements for programs, such as modernizing information and technical access and service to Canadians.

Each level included information on the degree to which the Acquisitions business line as the Contracting Authority exclusively determined the solution; procurements that would be typical to that level; how the requirement should be tendered and contracted; typical pricing formula; performance standards; performance targets or benchmarks; and recommended approach to service charging.

Within each level a matrix of accountabilities was prepared and each task was rated by a colour. Green signified a step in the process that would typically achieve the performance objectives; yellow signified a step in the process where caution must be exercised as there is reasonable potential for this step to impede performance; and red signifying a step in the process that tends to impede throughput performance.

Even for the lowest level one procurement, which is largely within the Contracting Authority’s control, there are still actions after award for which Acquisitions business line is accountable. Such actions include:

- the overall responsibility for the contract and all of its components to ensure adherence to terms and conditions;
- ensuring goods/services were received as per the contract requirement;
- ensuring contractual obligations were successfully completed;
- establishing the Government’s requirement to pay the final payment including any retained holdback; and
- enforcing the contractor’s warranty obligation under the contract.

We reviewed the document and support the reasonableness of the actions and level of risk. However, this document was not intended to determine the best role for PWGSC Contracting Authority, or to identify actions to redefine or redistribute the accountabilities and a level of risk to the appropriate Client Management. As previously discussed, as a result, PWGSC still remained ultimately accountable for ensuring that the contracting process and all aspects of risks associated with contract administration were effectively managed – a level of accountability that may not have been reasonable.

Conclusions

We reviewed a sample of 515 contract files in order to determine the extent to which roles and responsibilities of contract activities are clearly defined and understood, and to follow-up on the plan proposed by Acquisitions Branch on the roles and responsibilities for PWGSC in contract management. Our conclusions relate only to the sample audited and should not be attributed to all contracts.

We concluded that based on policies at that time, accountability for contract administration as a shared responsibility, between PWGSC and the client departments, was not clearly defined. Further, there was a lack of recognition and acceptance by all parties that PWGSC as contracting authority remained accountable in discharging these responsibilities. Although this responsibility is stated in existing government contract policies, in fact, PWGSC does not have the resource capacity, the technical knowledge, or the influence to ensure that the Client's role in contract administration is compliant to government financial and contract policies and regulations. Finally, we concluded that the responsibilities placed on PWSGC in relation to contract administration, under existing policies, demanded a level of accountability that may not have been reasonable.

However, there has been extensive re-thinking on the role and responsibility of PWGSC with regards to contract administration. A new Treasury Board Policy on Managing Procurement is expected to be promulgated by the Government in late 2008. Finally, we concluded that the change management initiatives through procurement transformation can be expected to address many of the findings that were identified in this audit.

Recommendations

The audit makes three recommendations:

1. The Assistant Deputy Minister, Acquisitions Branch needs to reconsider the responsibilities of PWGSC as contracting authority in relation to contract administration and may want to pursue changes in the PWGSC Supply Manual to better reflect reasonable responsibilities for the Department.
2. The Assistant Deputy Minister, Acquisitions Branch needs to communicate and formally document a definite delineation of roles and responsibilities between PWGSC and client departments.
3. If responsibilities as contracting authority are not changed, the Assistant Deputy Minister, Acquisitions Branch needs to ensure that Acquisitions Branch monitors contract administration activities of client departments and takes action where appropriate.

Management Response:

The report's findings relate to a sample of 515 contracts awarded up to March 31, 2005, and not all contracts awarded by PWGSC. Management accepts these findings.

Over the past two years during which the audit was conducted, the department had been taking actions to address the report's findings and recommendations. More specifically, the Associate Deputy Minister and responsible PWGSC senior management have examined and clarified the department's roles and responsibilities. Further, the Acquisitions Branch is in the process of and will continue to lead a significant change management initiative through procurement transformation which includes actions in six key areas – changes to procurement policy, streamlining military procurement, improvements and efficiencies to contracting processes, modify relationships with stakeholders, increase people capacity and training, and modernize acquisition tools. Finally, in May 2007, the Department launched a six-point action plan to strengthen procurement activities. These activities will address many of the findings in this report.

In addition to these actions, the Acquisitions Branch understands that the Audit and Evaluation Branch and Office of the Chief Risk Officer will be considering the audit recommendations and the observations contained in other various audits and reviews related to procurement activities and will be identifying lessons learned. The Acquisitions Branch looks forward to the results of this exercise.

About the Audit

Objectives

The objectives of this audit were to provide assurance on the Acquisitions business line's role and responsibility for contracting, which contributes to the successful delivery of goods and services to Client departments in terms of time, cost and performance, specifically to:

- Determine the extent to which roles and responsibilities of contract activities are clearly defined and understood.
- Follow-up with the plan proposed by the Acquisitions Branch on the best role for PWGSC in contract management, and assess the risks delineated for contracting process stages and the risk mitigation strategies.

Scope and Approach

The detailed examination phase was conducted during the period July 2005 to May 2006. Work related to another audit, the *Audit of Contract Quality Control and Quality Assurance functions* was undertaken concurrently.

The observations on roles and responsibilities were determined through a review of a statistical sample of contract files for compliance to the procurement regulations and policies. The observations on the Client departments understanding of their roles and responsibilities were determined through interviews, documentation, and the lessons learned from the sample review.

We selected the population of contract files from data in the Acquisitions Information System. The parameters for the selection were:

- All commodities – goods, services, construction, telecommunications, architectural and engineering, repair and overhaul;
- All active contracts as of March 31, 2005, based on the expiry date, as well as, those contracts that may have expired but were awarded between January 01, 2004 to March 31, 2005;
- All original contracts that were valued at or above Schedule 3, Level 1 delegation of authority; and
- All standing offers (SO), supply arrangements (SA), and call-ups awarded from January 2004 to March 2005.

Contracts with delegated approval authority lower than Schedule 3, Level 1 were excluded from the audit's scope because most quality control groups were not required to review and provide comments on contractual documents at that level. As well, we excluded contracts from the Communications commodity, since an Audit of Advertising was underway in 2005/06; and from the site offices of Germany and Great Britain, since a contract review had already been conducted in the first site, and the other office had been closed.

The total population was provided to a statistician from the former Consulting and Audit Canada, who selected an independent, statistically determined sample of 515 contract files. The sample

was based on a 90% confidence interval and a 10% margin of error, and included contracts from the eight entities within the Acquisitions business line. However, our findings relate only to the sample of contracts audited and should not be attributed to all contracts. These entities are: three Headquarters Sectors - Land, Aerospace, Marine Systems (LAMS), Commercial Acquisition and Supply Management (CASMS), and Services and Technology Acquisition Management (STAMS); and five Regions – Atlantic, Quebec, Ontario, Western, and Pacific. Although Acquisitions Branch reorganized its structure in 2005/06 to include an additional Sector – Services and Specialized Acquisitions Management - the audit references the grouping consistent with the Acquisitions Information System contract data existing at the start of the audit.

We examined the sample of contract files and relevant documentation in the Regional offices from June to August 2005 and in the headquarters Sectors from January to May 2006. Interviews were held with more than 70 PWGSC Directors, Managers, Supply Specialists, and Procurement officers from across all eight entities. As well, interviews were held with more than 20 Client department Project Managers.

The audit program, completed for each contract, recorded the audit results from contract award stage until the completion of the requirement, or until the time of the detailed examination phase of the audit. The audit program assessed the contract in terms of compliance with the Supply Manual and government and departmental policies. Compliance was recorded as an affirmative or negative. Non-compliance was not weighted in terms of a minor or major impact/risk.

All the sampled files examined were under the custody of the responsible Procurement Officer. We expected that Procurement officers would comply with the PWGSC Supply Manual and Treasury Board Contracting Policy, which requires procurement files provide a complete ‘audit trail’ that contains details of relevant communications and decisions. If however, documents were missing from the files the auditors asked or emailed the responsible Procurement Officer to validate if there was additional documentation. We did not request that Client departments or Real Property Services Property Managers provide any additional or missing documentation from their files.

We analyzed the audit results and consolidated them into a statistical report for each of the eight entities. The audit reported on significant observations and conclusions, which were inclusive to the Acquisitions business line and supported by relevant and specific examples. This audit was conducted in accordance with the Treasury Board Policy on Internal Audit and the Institute of Internal Auditors’ Professional Practices Framework that require internal auditors to have sufficient and appropriate evidence and analysis to support their conclusions and audit results.

We prepared and validated audit findings and conclusions with departmental senior management prior to preparation of a final report. Upon acceptance of the draft report, the final report was presented to the Deputy Minister and PWGSC Audit and Evaluation Committee.

Criteria

The criteria used in this audit were:

- The contract files sampled should demonstrate compliance with the standards of the Government Contract Regulations, Supply Manual, and government and department policies,

such that they stand the test of public scrutiny in matters of prudence and probity, facilitate access, encourage competition, and reflect fairness in the spending of public funds.

- Procurement roles and responsibilities should be clearly defined, understood, and respected by all parties.
- The actions taken to determine the roles and responsibilities for PWGSC Contracting Authority should be clear, achievable and reported to Senior Management for consideration and approval.

Audit work completed

Audit work for this report was substantially completed by May 2006.

Audit Team

Staff of the Audit & Evaluation Branch conducted the audit, under the direction of the Director, Internal Audit Services Directorate, and the acting Director General, Audit and Evaluation Branch, as Chief Audit Executive.

Subsequent Events

The Associate Deputy Minister and responsible PWGSC Senior Management have examined the department's roles and responsibilities. Acquisitions Branch is in the process of and will continue to lead a significant change management initiative through procurement transformation. Actions are being taken in six areas – changes to procurement policy, streamlining military procurement, improvements and efficiencies to contracting processes, modify relationships with stakeholders, increase people capacity and training, and modernize acquisition tool.