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## **Final Report**

**2008-723**

### **Audit of Information Technology Services Branch Task Authorization Contracts**

**Office of Audit and Evaluation**

**February 10, 2010**



Public Works and  
Government Services  
Canada

Travaux publics et  
Services gouvernementaux  
Canada

**Canada**

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## **MAIN POINTS**

### **What we examined**

- i. Public Works and Government Services Canada (PWGSC) employs a variety of approaches to meet the federal government's procurement requirements. Contracts that provide for the use of task authorizations (TA) are used where a definite need for a category of service exists, but the precise nature and timing of the need cannot be set out in advance. A task authorization is a structured administrative process enabling the technical or project authority to authorize work by a contractor on an "as and when requested" basis in accordance with the terms and conditions of an existing TA contract.
- ii. Information Technology Services Branch (ITSB) supports the technical requirements of PWGSC and other federal government departments by providing expertise and contracting for informatics professional services. Acquisitions Branch's procurement officers, as the contracting authority, support ITSB by establishing contractual agreements; approving tasks over a TA financial threshold amount; amending the TA contract when required; and providing advice.
- iii. The contract for Engineering and Technical Services was one of the TA contracts managed by ITSB. The intent of ITSB is to transition the contract in which the Contractor supplied qualified resources on a per diem rate towards a results based service delivery approach. In December 2008, Acquisitions Branch and ITSB undertook a review of the management of this TA contract. Contracting irregularities were identified and corrective actions were undertaken. At the same time, the PWGSC Assistant Deputy Minister, Acquisitions Branch, requested that an independent internal audit be undertaken to determine if similar issues were prevalent in the management of other TA contracts by ITSB.
- iv. We examined all 18 active TA contracts, including the one for Engineering and Technical Services, for which Acquisitions Branch was the contracting authority and ITSB was the technical authority, from April 1, 2004 to December 31, 2008.

### **Why it is important**

- v. The mission of ITSB is to enable PWGSC modernization and support the delivery of information technology infrastructure and telecommunications solutions to federal departments, boards and agencies. The contracts managed by ITSB provide informatics services to support the Government of Canada's telecommunications and informatics needs. The total contract value of the 18 TA contracts we examined was \$705.3 million.
- vi. TA contracts are intended to provide an efficient method of supply that establishes a competitive contractual agreement to support the Government's informatics and technology requirements. Within the terms and conditions of a TA contract, the task authorization financial approval limits are established to

- reinforce the contracting principles of fairness and transparency outlined in the Treasury Board's *Contracting Policy*.
- vii. As well, within PWGSC Acquisitions Branch, the broad policy basis for use of TA contracts is defined in the Supply Manual Policy Notification No. 75. The policy notification identifies three typical problems for which a project manager should be attentive. These are: improper authorization of work outside the scope of the original contract; inadequate scrutiny of task performance and invoicing; and insufficient oversight and control of total expenditures.

## **What we found**

- viii. We determined that the contracting irregularities identified in the Engineering and Technology Services TA contract reflected issues related to non-compliance with the terms and conditions of the contract. We also determined that the management of the TA contract exhibits contracting irregularities related to task authorization approval levels and the use of resource categories and rates.
- ix. We found that Acquisitions Branch and ITSB took immediate corrective measures to address these contracting irregularities in the management of the Engineering and Technical Services contract.
- x. We found that these contracting irregularities were not prevalent in ITSB's management of other TA contracts. In the majority of TAs we reviewed, the approval and signing authorities were respected and the categories and rates were applied in accordance with the terms and conditions of the contracts.
- xi. In addition, we examined ITSB's administration of TA contracts. This was to determine whether ITSB's systems, processes, and practices enabled it to identify, assess, and mitigate significant risks to TA contracts and their related task authorizations.
- xii. We found that additional improvements were required in ITSB's overall contract administrative processes for task authorizations such as: verifying that those responsible for administering TA contracts comply with the terms and conditions of the TA contract; ensuring deliverables and estimates of level of effort for service requirements are well defined; and ensuring the documentation is adequate and complete.

## **Management Response**

Information Technology Services Branch has reviewed the report for the Audit of Information Technology Services Branch Task Authorization Contracts. We accept this report and agree with the recommendations found therein.

We are pleased to report that we have already made a number of significant improvements in our capability, procedures and processes regarding the subject matter of

this audit, and we look forward to continuing to strengthen our branch's Task Authorization contracting policies.

## **Recommendations and Management Action Plan**

**Recommendation 1:** The Chief Executive Officer, Information Technology Services Branch, should improve contract administration practices including: verification that terms and conditions are respected; better planning so that estimates and deliverables are clear; and improved documentation relating to the management of task authorization contracts and task authorizations.

### **Management Action Plan 1.1:**

1.1.1 Information Technology Services Branch has strengthened its professional services contract management capacity by hiring additional resources and by ensuring that all mandatory training related to their function was completed.

1.1.2 Information Technology Services Branch has issued a Procurement Operations Procedure for contract administration officers that outlines roles and responsibilities, a Task Authorization process description, and a revised Task Authorization template.

1.1.3 Information Technology Services Branch will issue a Contract Management Directive under the authority of the Chief Executive Officer to fully delineate roles and responsibilities with regards to the management and administration of all procurement and contracting activities throughout the Branch by February 28, 2010.

1.1.4 Information Technology Services Branch is currently developing and will deliver a series of contract management awareness training sessions that will focus on obligations and responsibilities of Responsibility Center Managers and Technical Authorities with regards to procurement planning, Statement of Work and contract deliverables development, exercising Section 32 and 34 authority, understanding contract terms and conditions, and other related topics by March 15, 2010. These awareness training sessions will be delivered on an ongoing basis.

1.1.5 Information Technology Services Branch is completing the full centralization of its contract management and administration functions to strengthen and clarify accountability for the management of contracts, improve and standardize contract administration practices, and enhance contract monitoring and oversight to be completed by March 31, 2010.

1.1.6 A series of administrative instructions will be issued to contract administration authorities to specifically address file and documentation management standards, guidelines for estimating contract cost and defining

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contract deliverables, and instructions for verifying that contract terms and conditions are being respected by March 31, 2010.

## **INTRODUCTION**

1. The Minister and Deputy Minister of Public Works and Government Services (PWGS) are granted certain authorities, through Treasury Board policy, legislation, and regulations. They entrust or delegate these authorities to others in their department to act for them as their representatives in matters specific to the authority delegated. Acquisitions Branch has been delegated the authority to contract for goods and services.
2. Public Works and Government Services Canada (PWGSC) employs a variety of approaches to meet procurement requirements. Such approaches range from specific contracts that precisely define deliverables, users and timeframes to various procurement frameworks for use by several or many departments and agencies. They also include approaches that deal with requirements that are less specific or well defined. Included in the latter are standing offers, supply arrangements, and contracts with components activated by task authorizations. Throughout the report, “federal organizations” will be used to refer to federal government departments, agencies and boards.
3. Regardless of the method of supply, the Treasury Board *Contracting Policy* identifies PWGSC as the contracting authority. This means that PWGSC is responsible for ensuring that the contracts and their related deliverables are successfully executed in accordance with the agreed terms of time, cost and performance.<sup>1</sup>
4. As part of the business transformation of government procurement, there has been a move from individual contracts entered into by, or for, individual departments, to broader-coverage procurement instruments that one or many federal organizations can use directly, quickly and inexpensively. As a result, the use of task authorization contracts and similar instruments has increased. Within the federal government’s requirement for a variety of goods and services, informatics professional services are considered a requirement for which task authorization contracts, and their related task authorizations, are well suited.
5. A task authorization (TA) is a structured administrative process enabling the technical or project authority to authorize work by a contractor on an "as and when requested" basis in accordance with the terms and conditions of an existing TA contract. Task authorizations are used for information technology professional service contracting when a definite need for a category of service exists, but the precise nature and timing of the need cannot be set out in advance.
6. TA contracts are intended to provide an efficient method of supply for establishing a competitive contractual agreement that supports the federal government’s informatics and technology requirements. Within the terms and conditions of a TA contract, task authorization financial approval limits are established to reinforce the contracting principles of fairness and transparency outlined in the Treasury Board *Contracting Policy*.

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<sup>1</sup> TB *Contracting Policy* 12.1.1

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7. When the technical or project authority named in the TA contract requires professional services, a task authorization is issued against a TA contract to instruct the contractor to carry out the specified work. Task authorizations are not contracts although they create a contractual expectation of work to be performed. A commitment of funds may be made at the time of the award of the TA contract or as each task authorization is created. In keeping with the spirit of the Treasury Board *Policy on Delegation of Authorities*, the individual who signs the task authorization should not sign the certification of the receipt of goods and the provision of services.
8. Within PWGSC Acquisitions Branch, the broad policy basis for the use of TA contracts is defined in the Supply Manual Policy Notification No. 75 (Task Authorization Contracts). The policy notification indicates that there have been cases where problems have occurred; technical and project authorities should be attentive to these problems. They fall into three main categories:
  - 1- Improper authorization of work outside the scope of the original TA contract;
  - 2- Inadequate scrutiny of task performance and invoicing; and
  - 3- Insufficient oversight and control of total expenditures.
9. Information Technology Services Branch (ITSB) supports the information technology requirements of PWGSC and other government departments through expertise and contracting for informatics professional services. These professional services include the supply of informatics experts and resources to develop, support and maintain departmental infrastructure.
10. ITSB has a process for the contracting for informatics professional services. ITSB technical or project managers are responsible for defining an informatics professional service requirement or working with federal organizations to identify their scope of work. Once the scope of the work is identified, the project managers then submit a request to the ITSB centralized procurement function unit. The Contracts Management and Administration Services Directorate, identifies potential methods of contracting, such as standing offers, supply arrangements, or TA contracts, which have been established by Acquisitions Branch through a competitive process.
11. For a TA contract, the Contracts Management and Administration Services Directorate communicates with suppliers, identified in the TA contract, who can offer resources that meet the scope of work, the resource categories, and the level of effort. A task authorization is then prepared and signed by both the supplier and the ITSB project authority or representative named in the TA contract. This becomes the binding agreement between the supplier and the Crown. Typically, a task authorization is signed and approved one to three days before work starts. If the task authorization is above the financial limits identified in the TA contract, the Acquisitions Branch must sign the task authorization prior to the work commencing. Task authorizations may be amended and approved by ITSB. If however, the amendment results in the value of the task authorization being

greater than the threshold financial limits identified in the TA contract, the Acquisitions Branch must sign such an amendment and any subsequent amendments prior to work commencing.

12. ITSB is responsible for ensuring that the resources proposed by the contractor meet the skills and experience of the resource category identified in the TA contract and have the necessary security clearances. Furthermore, the ITSB technical or project authority is responsible for managing the level of effort to complete the work, accepting the deliverables, and authorizing payments. In addition, they are responsible for identifying and communicating contractual changes, such as the addition of new categories or changes in scope of service, to the Acquisitions Branch. As the contracting authority, Acquisitions Branch is responsible for amending the TA contract, when required.

## **FOCUS OF THE AUDIT**

13. The Engineering and Technical Services contract is one of the competitive TA contracts that is managed by ITSB and provides information technology professional services to federal organizations. In December 2008, Acquisitions Branch and ITSB undertook a review of the contract activities for this TA contract and identified contracting irregularities.
14. As a result, and to demonstrate due diligence the Assistant Deputy Minister, Acquisitions Branch recommended that ITSB's authority to issue TAs for this contract be rescinded. Until further information related to contracting irregularities could be analyzed, services continued to be provided under this contract but Acquisitions Branch was required to sign all TAs prior to work commencing. At the same time, the Assistant Deputy Minister requested that an independent internal audit be undertaken to determine if similar issues were prevalent within ITSB's management of other TA contracts.
15. This audit had two objectives. The first was to determine whether corrective measures taken by PWGSC will mitigate the irregularities in the TA contract for Engineering and Technology Services, and for all TAs contracting activities undertaken by ITSB; and that these corrective measures are consistently applied. The second was to determine if contracting irregularities, similar to those identified in the TA contract for Engineering and Technical Services, are prevalent within ITSB management of TA contracts.
16. We examined all 18 TA contracts, for which Acquisitions Branch was the contracting authority and ITSB was the technical authority, for the period of April 1, 2004 to December 31, 2008. The data for the TA contracts and TAs was provided by ITSB and compared to the data in the Acquisition Information Service database. We selected and examined a sample of 114 related TAs based on a number of criteria. These criteria include TAs that were valued slightly under the ITSB authority threshold, TAs that were approved since the ITSB

centralization of its procurement function in 2006 and a percentage of all the TAs for each TA contract.

17. More information on the audit objective, scope, approach and criteria can be found in the section “About the Audit” at the end of the report.

## **STATEMENT OF ASSURANCE**

18. This audit was conducted in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
19. Sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the findings and conclusions in this report and to provide an audit level of assurance. The findings and conclusions are based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria that were agreed on with management. The findings and conclusion are only applicable to the entity examined and for the scope and time period covered by the audit.

## **OBSERVATIONS**

### **CORRECTIVE MEASURES TAKEN**

20. The Engineering and Technical Services contract is one of the competitive TA contracts awarded in 2007 by PWGSC for information technology professional services. This TA contract is for a period of 3 years plus 4 one-year options. The services offered were comprised of two components – a day-to-day “function” work, and project work on an “as-and-when requested” basis under task authorizations. Resource categories and respective per diem rates established in the TA contract for each year were for ‘function’ work only. If project work required specialized and/or additional resource categories and rates, these were to be evaluated prior to acceptance of a task authorization. ITSB used this contract for resources and services when PWGSC, or other federal organizations, identified a requirement within the scope of the Engineering and Technical Services contract. For project work, ITSB had authority to issue TAs for up to \$200,000. Requirements above that financial threshold were to be referred to Acquisitions Branch for action.
21. As stated in the Request for Proposals and in the contract documents, ITSB intended to transition the service delivery approach of this TA contract from support for engineering and technical requirements to Results Based Service delivery. Rather than supplying qualified resources on a per diem rate, the contractor would deliver informatics services that meet specific performance metrics and pre-defined services levels. ITSB advocates this approach as it believes this approach will: share the risk between the vendor and the federal

government: improve access to scarce skills required in IT environments; improve cost controls per resource unit; allow to innovate under a flexible contract; standardize services; provide capacity on demand; and ultimately provide better value for money.

22. In December 2008, Acquisitions Branch and ITSB undertook a review of the activities related to this contract. Contracting irregularities were identified and corrective actions were undertaken. These corrective measures were to be applied to all TA contracting activities undertaken by ITSB, and were important to demonstrate compliance with contracting policies.

**Corrective actions taken to date were adequate**

23. We expected that Acquisitions Branch and ITSB had taken appropriate measures or actions to resolve the identified contracting irregularities.
24. We found that Acquisitions Branch took immediate corrective actions to address the contracting irregularities discovered in the management of the Engineering and Technical Services contract. For TAs in which categories or rates other than those in the TA contract were accepted, the TA was cancelled, or amendments were made to the TA contract. Rather than one procurement officer, Acquisitions Branch identified two senior procurement officers to be responsible for the Engineering and Technical Services contract. One was responsible for the day-to-day Engineering and Technical Services tasks. The other was responsible for the negotiated transition to Results Based Service. This reduced the workload to allow for increased monitoring of the TAs. Acquisitions Branch also developed a “record of agreement” template to outline the responsibilities of each party to ensure appropriate contract management.
25. We also found that ITSB took actions to address the contracting irregularities. The Branch hired more resources within its Contracts Management and Administration Services Directorate and ensured that all mandatory training related to their function was completed. As well, ITSB developed the Contracts Management and Administration Services Procurement Operations Procedure that outlines roles and responsibilities, a TA process description, and a revised TA form template. However, since several of these corrective actions have only recently been implemented, we were unable to determine the extent to which these corrective measures have been consistently applied and/or are functioning as intended.
26. Finally, the Department has taken actions to address contracting issues more broadly. The Corporate Services, Policy and Communications Branch issued a PWGSC Contract Management Control Framework and accompanying Guide in February 2009. The purpose of these documents was to provide PWGSC employees with the information necessary to effectively undertake the procurement of goods and services on behalf of the department.
27. The Acquisitions Branch and ITSB took corrective actions to ensure compliance with contractual terms and conditions; to increase the awareness and knowledge

of contracting obligations and responsibilities of employees; and to strengthen the contracting principles of fairness and openness.

### **PREVALENCE IN OTHER TASK AUTHORIZATION CONTRACTS**

28. The contracting irregularities in the management of the Engineering and Technology Services TA contract were related to compliance to the terms and conditions of the contract regarding task authorization approval levels, resource categories and resource rates. We examined the other TA contracts managed by ITSB to determine if the contracting irregularities listed above, were prevalent.

#### **Majority of task authorization approvals and signing authorities were respected**

29. We expected that the appropriate authority named in the terms and conditions of the TA contract would approve the task authorization prior to work commencing. This is important because it ensures a respect for segregation of duties as per Treasury Board *Policy on Delegation of Authorities*. It also ensures that only authorized ITSB individuals who are knowledgeable of the TA contract sign the order for work to be undertaken by a contractor.
30. For TAs within a specified financial threshold, the ITSB project authority or their representative, as identified in the TA contract, can approve and sign TAs. Of the 114 task authorizations sampled, we found that the appropriate ITSB project authority approved 64 of 114 TAs. In the remaining cases, the ITSB project managers signed the TAs, but no documents were on file nor were the TA contracts amended, to support the delegation of authority of the position.
31. For TAs above a specified financial threshold, both the ITSB project authority and the Acquisitions Branch procurement officer must sign the TA. Of the 88 task authorizations we examined, and for which it was mandatory that Acquisitions Branch sign the original TA or any amendments that exceeded the financial threshold, we found that 71 were appropriately authorized. In most of the remaining cases, we were able to confirm that the Acquisitions Branch signed a TA form. However, as there was no date adjacent to the signature nor was there one single TA form with all signatures - ITSB, Acquisitions Branch, Contractor - we could not determine if the approval was obtained before the work commenced.
32. Respecting the authorities established in the TA contract and a segregation of duties ensures that task authorizations, which are binding agreements between the supplier and the Crown, are authorized and approved by individuals who are experienced and knowledgeable of the TA contract.

#### **Categories and rates in accordance with contracts**

33. We expected that ITSB project managers who sign the task authorizations would ensure that the rates and categories identified in the TA are compliant with the TA contract. We also expected to see proper certification of section 34 of the

- Financial Administration Act*, verifying that goods have been delivered and services rendered and that the price was as stated in the contract.
34. During the TA contract solicitation process, the Crown identifies the resource categories that it requires and the information technology professional service firms provide rates by category that are fixed at contract award. We found that, in general, the resource categories and per diem rates specified in the TA contracts were respected. In our sample, the compliance rate was 101 out of 114.
35. In one example of non-compliance we found that a task authorization's original statement of work identified the requirement for a resource category of senior information technology project manager. For this TA contract, the contractor's daily rate for a senior information technology project manager was \$500 and for a general information technology project manager, the rate was \$1,112. The terms and conditions of the contract stated that if the contractor was unable to provide a resource at the specified level or category, it must provide a resource of another level or category but at the same rate applicable to the category in the statement of work. However, the TA was authorized and the resource paid at the higher rate. Based on a review of this TA file, we were unable to determine the rationale supporting the higher per diem resource suggested by the contractor and accepted by ITSB.
36. Increased administrative oversight by ITSB prior to exercising their financial authority ensures fairness in the competitive contracting process and compliance with the *Financial Administration Act* and Treasury Board's *Contracting Policy*.

## **TASK AUTHORIZATION ADMINISTRATION**

37. In addition to determining if contracting irregularities, similar to those identified in the TA contract for Engineering and Technology Support were prevalent in the management of other TA contracts, we also examined ITSB's administration of TA contracts. This was to determine whether adequate administrative procedures were in place to ensure efficiency, effectiveness and compliance with the Treasury Board's *Contracting Policy* and Acquisitions Branch's Policy Notification No. 75 on TA contracts. Also, it was to determine whether ITSB's systems, processes, and practices enabled it to identify, assess, and mitigate significant risks to TA contracts and their related task authorizations.

### **Compliance with terms and conditions of the contract not always verified**

38. The terms and conditions of the contract define the roles and obligations of all parties involved in the administration of the contract and the management of task authorizations. Verifying compliance with the terms and conditions of the contract ensures that all parties within the organization are aware of, and discharge, their responsibilities.
39. We expected those responsible for administering contracts, including the ITSB project managers, the Contracts Management and Administration Services

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- Directorate (ITSB's centralized procurement unit), Acquisitions Branch, and federal organization users would verify that terms and conditions were respected. It would include verification of the terms and conditions related to the evaluation of the proposed resources, security clearance validation, as well as the acceptance of the required deliverables.
40. We found instances where we could not determine if the terms and conditions were verified in relation to the application of the TA contract's, and management of the tasks associated with a TA contract. Such terms and conditions include the requirement to evaluate the experience and knowledge of information technology contract resources, validate security clearances, and verify the deliverables or milestones before payment.
41. For example, the terms and conditions of a TA contract require that the proposed contract resources be evaluated and accepted before a task is authorized or the work commences. This demonstrates continued fairness in a competitive process by ensuring that the expertise and knowledge required during the solicitation are the same for any subsequent replacement or for new resources. As well, it ensures the Crown receives qualified and knowledgeable resources for a specified category as well as an established per diem rate. We found limited evidence in the sampled TAs that an evaluation and acceptance of the named resource was undertaken. Further, in reviewing the files and TA process, it was unclear who within ITSB was responsible for performing this function – the project manager or the Contracts Management and Administration Services Directorate.
42. As well, the terms and conditions of a TA contract identify that resources will require a level of security ranging from enhanced to secret. There was no evidence on file that the resources had received authorization for the required level of security clearance. Nor was there evidence of communication with PWGSC's Industrial Security Directorate to ensure that the contract resource had the appropriate security clearance before work started. For all of the resources named in the 114 TAs sampled, we independently verified their clearances with the Industrial Security Directorate. For 10% of the resources, we were unable to determine if they held a valid security clearance at the time the work was performed. Again, in reviewing the files and TA process, it was unclear who was responsible for performing this function, or for providing mitigating measures if the appropriate security clearances could not be obtained - ITSB or the federal organization requiring the services.
43. Deliverables or reports demonstrating performance should be identified in TAs. For those sampled TAs in which a deliverable was required for completion of the TA or for payment, we were unable to determine who was responsible for obtaining or validating the deliverable. In some cases, it was the ITSB project managers who received the information and retained the documents in their files. In other cases, it was the federal government organization that managed the services of the information technology professional resource and retained the documents, although ITSB signed and approved payment of the contract resource. And in yet other cases, there was no evidence that either party had received a

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- deliverable. In the 60 cases where a deliverable had been specified, we could not find any evidence of a deliverable on file in 22 instances.
44. During the period of January to April 2009, the Contracts Management and Administrative Services Directorate created a draft roles and responsibilities document. However, this document does not specify which group and position is responsible for ensuring compliance with the terms and conditions of the contract or for ensuring receipt of deliverables.
45. Without proper evaluation and approval of resources there is a risk of accepting less qualified and experienced individuals and thus adding costs and delays to a project. Additionally, there is a risk that sensitive information will be provided to consultants who do not have the proper security clearances. Further, it is difficult to determine who should monitor the consultant's performance as per the expectations/deliverables stated in the TA.

**Task Authorizations level of effort significantly underestimated**

46. The level of effort for a TA is a statement of the number of days required to complete the work, and it is prepared by the ITSB Project Manager or federal organization user. It is important that the level of effort required be properly assessed prior to initiating a TA and that deliverables be clearly defined. Consideration should be given to the complexity of the task as well as any implied constraints. This enables proper budget planning and project management (scope, cost, timing).
47. We expected that the requirements for a TA would be well defined in terms of the number of days and the expected deliverable needed to complete the work.
48. We found that 91 of the 114 sampled TAs were amended on average 2.62 times with an average increase of initial funds of \$94,000 (61%). Funds were increased in 81 of 114 TAs and decreased in 10 cases.
49. We also found that TA contracts were frequently used as a method of contracting to employ resources for information technology professional services over longer terms (1-2 years). We found that the majority of the TAs reviewed were repeatedly amended from an initial requirement of a few months to a period in excess of one year.
50. Finally, we found that in 54 cases, no deliverable was specified in the TA.
51. These findings, combined with the fact that TAs were vague; contract resources were assigned daily workloads; were managed like any other public servant; and were not required to produce specific deliverables, demonstrated that TA contracts were not always used or managed appropriately.
52. Repetitive amendments and lack of defined deliverables are indicators of poor requirements planning. This impacts project management. Strong project management controls would help ensure that projects are being delivered in scope, on time and on budget.

### **Documentation for Task Authorizations lacking**

53. The PWGSC Supply Manual and Treasury Board *Contracting Policy*<sup>2</sup> require that procurement files provide a complete ‘audit trail’ including details of relevant communications and decisions. Documentation serves as a historical record of actions, decisions, and procurement activities that occurred during the contract, and is important evidence in the event of a financial review or subsequent legal action.
54. We expected that the contracting records would be easy to retrieve and complete. When we requested a complete list of TA contracts and TAs from the Contracts Management and Administration Services Directorate, we found that this information was not readily available. Instead, the Directorate had to manually create a list of records by collecting the information contained in each TA file.
55. We also found that for many TAs examined, project managers, technical leads, and financial officers maintained separate files. While the majority of files (99 out of 144) contained copies of the TA, its related amendments and timesheets, when examined as a single contract file, these did not contain all the required documentation such as deliverables and evaluations.
56. Without adequate documentation, ITSB’s ability to demonstrate proper management of TA contracts is impaired.

### **CONCLUSIONS**

57. Based on our first audit objective, we concluded that:
  - Adequate measures were taken by Acquisitions Branch to restore practices that are compliant with the Engineering and Technical Services contract; and
  - Measures such as a Contract Management Control Framework and accompanying Guide implemented by PWGSC will provide ITSB with awareness and the information necessary to effectively undertake the procurement of goods and services on behalf of the Department.
58. Overall, the corrective measures related to the Engineering and Technical Services contract addressed the issues raised. However, further improvements in all TA contracting activities undertaken by ITSB are required to meet the Department’s expectation of good contract management.
59. Based on our second audit objective, we concluded that:
  - ITSB respected their signing and approving levels and authorities for task authorizations in the majority of the cases;
  - The contracting irregularities related to the use of categories and rates outside the TA contract, which were identified in the Engineering and Technical

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<sup>2</sup> Supply Manual 2.002, Treasury Board Policy 12.3.1

Services TA contract, were not prevalent in ITSB's management of other TA contracts; and

- Additional improvements are required in ITSB's overall contract administrative processes for task authorizations such as: verifying that those responsible for administering TA contracts comply with the terms and conditions of the TA contract; ensuring deliverables and estimates of level of effort for service requirements are well defined; and ensuring the documentation is adequate and complete.

60. Overall, improvements in ITSB's contract administration are required to ensure that such contracting irregularities do not reoccur in future task authorizations.

## **MANAGEMENT RESPONSE**

Information Technology Services Branch has reviewed the report for the Audit of Information Technology Services Branch Task Authorization Contracts. We accept this report and agree with the recommendations found therein.

We are pleased to report that we have already made a number of significant improvements in our capability, procedures and processes regarding the subject matter of this audit, and we look forward to continuing to strengthen our branch's Task Authorization contracting policies.

## **RECOMMENDATIONS AND MANAGEMENT ACTION PLAN**

**Recommendation 1:** The Chief Executive Officer, Information Technology Services Branch, should improve contract administration practices including: verification that terms and conditions are respected; better planning so that estimates and deliverables are clear; and improved documentation relating to the management of task authorization contracts and task authorizations.

### **Management Action Plan 1.1:**

1.1.1 Information Technology Services Branch has strengthened its professional services contract management capacity by hiring additional resources and by ensuring that all mandatory training related to their function was completed.

1.1.2 Information Technology Services Branch has issued a Procurement Operations Procedure for contract administration officers that outlines roles and responsibilities, a Task Authorization process description, and a revised Task Authorization template.

1.1.3 Information Technology Services Branch will issue a Contract Management Directive under the authority of the Chief Executive Officer to fully delineate roles and responsibilities with regards to the management and administration of

all procurement and contracting activities throughout the Branch by February 28, 2010.

1.1.4 Information Technology Services Branch is currently developing and will deliver a series of contract management awareness training sessions that will focus on obligations and responsibilities of Responsibility Center Managers and Technical Authorities with regards to procurement planning, Statement of Work and contract deliverables development, exercising Section 32 and 34 authority, understanding contract terms and conditions, and other related topics by March 15, 2010.

1.1.5 Information Technology Services Branch is completing the full centralization of its contract management and administration functions to strengthen and clarify accountability for the management of contracts, improve and standardize contract administration practices, and enhance contract monitoring and oversight to be completed by March 31, 2010.

1.1.6 A series of administrative instructions will be issued to contract administration authorities to specifically address file and documentation management standards, guidelines for estimating contract cost and defining contract deliverables, and instructions for verifying that contract terms and conditions are being respected by March 31, 2010.

## **ABOUT THE AUDIT**

### **Authority**

This audit was requested by the Deputy Minister, in addition to the PWGSC 2008-2011 Risk-Based Multi-Year Audit and Evaluation Plan approved by the departmental Audit and Evaluation Committee.

### **Objectives**

The objectives of this audit were:

- To provide assurance that the corrective measures taken by PWGSC will mitigate the irregularities in the TA contract for Engineering and Technical Services and for all TA contracting activities undertaken by ITSB; and that these measures were consistently applied;
- To determine if contracting irregularities, similar to those identified in the TA contract for Engineering and Technical Services, are prevalent within ITSB management of TA contracts.

### **Scope and Approach**

This audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

The fieldwork was conducted from January to April 2009. The audit focused on the TA contracts that were awarded from April 01, 2004 to December 31, 2008, were managed by ITSB as the technical and project authority, and were procured through the Acquisition Branch, as the contracting authority.

The data for the number of TA contracts and the number and value of TAs was provided by ITSB and confirmed against the contract data in the Acquisitions Information System. From the population of 18 TA contracts we examined a sample of 114 out of 1377 TAs and any associated amendments. The approach for the sample was based on the cumulative contract knowledge and experience of the audit team and a variety of criteria. Criteria included TAs that were valued slightly under the ITSB authority threshold, TAs that were approved since the ITSB centralization of its procurement function in 2006 and a percentage of all the TAs for each TA contract.

Interviews were conducted with ITSB technical or project authorities. As well, interviews were conducted with Acquisitions Branch procurement officers and key ITSB personnel. Files reviewed included ITSB's task authorization and project files, Finance Branch's payment files, and Acquisitions Branch's contract files. Relevant processes and documentation were reviewed. Based on analysis of the information and evidence collected, the audit team prepared findings and conclusions, which were validated with

the appropriate managers. The Draft Final Report will be tabled at the PWGSC Audit and Evaluation Committee for their recommendation for approval by the Deputy Minister.

## **Criteria**

The following audit criteria were reviewed and accepted by the Acquisitions Branch and Information Technology Services Branch:

- There are specific controls in place throughout the TA contracting process that ensure compliance with established government regulations and PWGSC policies and procedures; and
- The systems, processes, and practices enable the organization to identify, assess and mitigate significant risks to TA contracts and their related task authorizations.

## **Audit Work Completed**

Audit fieldwork for this audit was substantially completed on April 30, 2009.

## **Audit Team**

The audit was conducted by members of the Office of Audit and Evaluation, overseen by the Director, Procurement Audit, and under the overall direction of the Deputy Chief Oversight Officer. The audit was reviewed by the Quality Assessment function of the Office of Audit and Evaluation.