



## PWGSC Management Action Plan

### Audit (consisting of specified forensic audit procedures) of Expenditures under the SNC-Lavalin O&M Contracts (2010-715)

January 27<sup>th</sup>, 2011

PWGSC, through the attached Management Action Plan, is committed to address the findings of the audit entitled “*Audit (consisting of specified forensic audit procedures) of Expenditures under the SNC-Lavalin O&M Contracts (2010-715)*” to ensure the best possible outcomes for Canadian taxpayers. Results of this work will be conveyed through the respective organizations as national functional direction for implementation within each portfolio. The Director General, AFD Sector will monitor and report to the Assistant Deputy Minister, Real Property Branch on the timely and consistent implementation of measures required by this Management Action Plan.

Original signed by

\_\_\_\_\_  
John McBain, ADM Real Property Branch

January 27, 2011

\_\_\_\_\_  
Date

SNC-Lavalin O&M has committed to address the recommendations in the plan and to work with PWGSC to develop a detailed workplan with milestones and deliverables for national implementation.



**PWGSC Management Action Plan**

**Audit (consisting of specified forensic audit procedures) of Expenditures under the SNC-Lavalin O&M (Pro-Fac) Contracts**

January 27<sup>th</sup>, 2011

PricewaterhouseCoopers Recommendations (PwC)	Management Response	OPI	OSI	Target date
--	---------------------	-----	-----	-------------

<p><b><u>PwC RECOMMENDATION ON THE OFFICE OF THE CHIEF RISK OFFICER'S REPORT</u></b></p> <p><b>2.20 We recommend that Public Works and Government Services Canada (PWGSC) continue to address all concerns that remain outstanding from the Office of the Chief Risk Officer's (OCRO) report.</b></p> <p><i>On July 18, 2007, PWGSC's Office of Chief Risk Officer (OCRO) issued a report to assess whether PWGSC's Real Property Branch (RPB) had sufficient controls and frameworks in place to fulfill RPB's responsibilities under Section 34 of the Financial Administration Act.</i></p> <p><i>The OCRO Report recommended that PWGSC clarify the issue surrounding Project Management (PM) Labour and identified the following concerns:</i></p> <p><i>i) There is a lack of clarity on whether the PM Labour is a fixed cost or an estimate, as per the SNC Contracts</i></p> <p><i>ii) The annual audited statement (the "Statement") with respect to SNC's actual costs has never been provided as the Statement is based on SNC's billed statements of costs and not actual costs incurred.</i></p>	<p><b>PWGSC is addressing the remaining recommendation from the OCRO report, specifically in the following 5 aspects of Project Management labour costs.</b></p> <p><b>1. PWGSC clarified its position with respect to the requirement to reconcile Project Management (PM) labour costs. Real Property and Acquisitions Branches have concluded that the current process of estimating PM labour as a percentage of the subcontracted work provides administrative efficiencies which expedites PWGSC's management of project delivery services. Notwithstanding the efficiency gains from estimating PM labour as a percentage of the subcontracted work, PWGSC has concluded that SNC must utilize the actual amounts as the final basis for payment in the annual reconciliation of all estimated amounts.</b></p>	<p><b>Real Property Branch (Director, AFD Service Management Coordination)</b></p>	<p><b>Acquisitions Branch Senior Director)</b></p>	<p><b>Completed on November 30, 2010</b></p>
--	--	--	--	--



**PWGSC Management Action Plan**

**Audit (consisting of specified forensic audit procedures) of Expenditures under the SNC-Lavalin O&M (Pro-Fac) Contracts**

January 27<sup>th</sup>, 2011

PricewaterhouseCoopers Recommendations (PwC)	Management Response	OPI	OSI	Target date
	<p>2. PWGSC will document a standardized process regarding requirements for the annual negotiation of estimating PM labour as a percentage of the subcontracted work per portfolio or contract and will communicate the process to the Technical Authorities.</p> <p>3. PWGSC will require that on an annual basis SNC is to engage a third party auditor to conduct an audit on its actual labour costs. SNC is to provide results of this audit to PWGSC at which time, PWGSC will perform a reconciliation on the amounts paid to SNC (estimated labour costs) versus the actual costs incurred by SNC. Any difference between the amount paid by PWGSC to SNC and the actual labour costs of SNC will be settled in a timely manner.</p>	<p>Real Property Branch Director, AFD Service Management Coordination</p> <p>Real Property Branch (Director, AFD Service Management Coordination)</p>	<p>Acquisitions Branch (Senior Director)</p>	<p>September 2011</p> <p>September 2011</p>



**PWGSC Management Action Plan**

**Audit (consisting of specified forensic audit procedures) of Expenditures under the SNC-Lavalin O&M (Pro-Fac) Contracts**

January 27<sup>th</sup>, 2011

PricewaterhouseCoopers Recommendations (PwC)	Management Response	OPI	OSI	Target date
	<p>4. PWGSC has retained PricewaterhouseCoopers to conduct a financial audit of actual flow-through costs charged to PWGSC without mark-up for profit or overhead.</p> <p>5. PWGSC will require that the processes described above be in place for fiscal year 2011/2012 with the proviso that the approach may need to be revised subject to the final audit results.</p>	<p>Audit and Evaluation (Deputy Chief Oversight Officer)</p> <p>Real Property Branch (Director, AFD Service Management Coordination)</p>	<p>Real Property Branch (Director, AFD Service Management Coordination)</p> <p>Acquisitions Branch (Senior Director)</p>	<p>August 2011</p> <p>September 2011 and ongoing for future years</p>



**PWGSC Management Action Plan**

**Audit (consisting of specified forensic audit procedures) of Expenditures under the SNC-Lavalin O&M (Pro-Fac) Contracts**

January 27<sup>th</sup>, 2011

PricewaterhouseCoopers Recommendations (PwC)	Management Response	OPI	OSI	Target date
<p><b><u>FINANCIAL COST AUDITS</u></b></p> <p><b>2.21 PWGSC proactively follow-up on any audit adjustments identified in the Financial Cost Audits conducted by ASC (Audit Services Canada). We understand that PWGSC has incorporated the recovery of any audit adjustments in their management action plans.</b></p> <p><b>2.22 We understand that since the commencement of the SNC contracts, PWGSC has commissioned Financial Cost Audits on three (3) regional portfolios. We also understand that PWGSC recently launched cost audits covering the eight (8) regional portfolios. We recommended and PWGSC concurred to prepare a cost audit strategy to provide more frequent and regular coverage of the administration of the SNC contracts.</b></p>	<p><b>Pursuant to an ASC Cost Audit of three contracts for fiscal year 2005/2006, PWGSC has received payment from SNC for a reconciliation amount related to the initial findings. This payment was received without prejudice should the work of the PwC audits determine additional recoveries are required.</b></p> <p><b>Audit Services Canada has been engaged to conduct a financial cost audit of all 8 contracts for fiscal year 2008-2009. PWGSC will conduct cost audits in each of the 8 portfolios for 2009/10 and the remainder of the term of the contracts.</b></p>	<p><b>Acquisitions Branch (Senior Director)</b></p> <p><b>Acquisitions Branch (Senior Director)</b></p>	<p><b>Real Property Branch (Director, AFD Service Management Coordination)</b></p> <p><b>Real Property Branch (Director, AFD Service Management Coordination)</b></p>	<p><b>December 2010</b></p> <p><b>Fall 2011 for 2008/09 fiscal year. Fall 2012 for 2009/10 fiscal year.</b></p> <p><b>Ongoing for remaining fiscal years.</b></p>





**PWGSC Management Action Plan**

**Audit (consisting of specified forensic audit procedures) of Expenditures under the SNC-Lavalin O&M (Pro-Fac) Contracts**

January 27<sup>th</sup>, 2011

PricewaterhouseCoopers Recommendations (PwC)	Management Response	OPI	OSI	Target date
	<p>In addition to the review of the KPIs relating to Project Delivery Services, PWGSC will review and update the current project file checklist to ensure necessary documents are retained on file to allow PWGSC's assessment and authorization. PWGSC will monitor SNC's compliance with this checklist on a regular basis as part of the quality monitoring process. Non-conformance will reflect upon eligibility for the Contractor Incentive Program (fee at risk). This action will assist in the oversight of Tenant Direct services.</p> <p>PWGSC is developing a guideline for tenants to provide assistance with project management and file documentation for services requested on a tenant direct basis from the AFD service provider. It will also provide tenants with information to properly plan, procure and implement tenant service projects in all types of property management situations in the PWGSC accommodation portfolio. This guideline is being developed in concert with the Treasury Board Secretariat.</p>	<p>Real Property Branch Director, AFD Service Management Coordination</p> <p>Real Property Branch Director General Professional and Technical Service Management</p>	<p>Acquisitions Branch (Senior Director)</p> <p>Treasury Board Secretariat (Senior Director, Real Property and Material Policy Division)</p>	<p>March 31, 2011</p> <p>September 2011</p>



**PWGSC Management Action Plan**

**Audit (consisting of specified forensic audit procedures) of Expenditures under the SNC-Lavalin O&M (Pro-Fac) Contracts**

January 27<sup>th</sup>, 2011

PricewaterhouseCoopers Recommendations (PwC)	Management Response	OPI	OSI	Target date
<p><b><u>OTHER RECOMMENDATIONS</u></b></p> <p><b>2.25 We recommend that PWGSC:</b></p> <ul style="list-style-type: none"> <li><b>i. Conduct a review of all of their files for any other additional cleaning services that SNC may have provided under any of the SNC contracts;</b></li> <li><b>ii. Determine whether or not the associated costs were calculated in accordance with the contractual agreement between SNC and the cleaning subcontractor; and</b></li> <li><b>iii. Determine next steps, if required, including any request for recovery.</b></li> </ul>	<p><b>PWGSC has conducted a thorough review of the cost calculation related to Transaction #7 for extra cleaning services of the Minister and Deputy Minister's Offices.</b></p> <p><b>A review of all cleaning service requests related to Deputy Heads and Minister's Suites was conducted and no anomalies were found.</b></p> <p><b>PWGSC is currently reviewing all transactions related to Extra Cleaning Services in all eight contracts to ensure that the costs were calculated in accordance with the contractual agreements between SNC and the cleaning sub-contractors. Any variances will be addressed in a timely manner.</b></p>	<p><b>Corporate Services and Policy Branch (Director General)</b></p> <p><b>Real Property Branch (Director, AFD Service Management Coordination)</b></p> <p><b>Real Property Branch (Director, AFD Service Management Coordination)</b></p>	<p><b>Real Property Branch (Director, AFD Service Management Coordination)</b></p>	<p><b>Completed on December 22, 2010</b></p> <p><b>Completed on October 21, 2010</b></p> <p><b>Feb. 28, 2011</b></p>



**PWGSC Management Action Plan**

**Audit (consisting of specified forensic audit procedures) of Expenditures under the SNC-Lavalin O&M (Pro-Fac) Contracts**

January 27<sup>th</sup>, 2011

PricewaterhouseCoopers Recommendations (PwC)	Management Response	OPI	OSI	Target date
<p>2.26 As outlined in Chapter 1 of this Report, we could not confirm the exact date(s) that the Subcontractors performed the work in relation to any of the Transactions. SNC stated that the SNC Contracts do not stipulate that they are required to maintain records of when Subcontractors attend to perform the work for particular projects. We recommend that PWGSC review this matter and determine what documentation/procedures are required to track the exact date and location that subcontractors are attending and what documentation /process SNC should maintain/implement.</p>	<p>PWGSC will review what documentation is required to track subcontractor's activities and communicate to SNC what documentation at a minimum should be maintained on file.</p>	<p>Real Property Branch (Director, AFD Service Management Coordination)</p>		<p>March 31, 2011</p>



**PWGSC Management Action Plan**

**Audit (consisting of specified forensic audit procedures) of Expenditures under the SNC-Lavalin O&M (Pro-Fac) Contracts**

January 27<sup>th</sup>, 2011

PricewaterhouseCoopers Recommendations (PwC)	Management Response	OPI	OSI	Target date
<p><b>2.27 We recommend that PWGSC:</b></p> <ul style="list-style-type: none"> <li>a) Review their records to assess the extent to which such extra cleaning services have been rendered since the commencement of the SNC Contracts with respect to assessing the extent of any management fee discrepancy;</li> <li>b) Consider any other services that may be provided as PD Services which should be considered PM Services; and</li> <li>c) Determine next steps including resolution of any discrepancies.</li> </ul>	<p>Past practices of both PWGSC and SNC established Extra Cleaning Services as PD Services. PWGSC will review a way to harmonize contractual requirements with established business practices to provide customer service meeting operational expectations and industry standards.</p> <p>Once the review is completed, PWGSC will communicate its position to SNC and will proceed with required changes to contractual documents and/or to business processes, as applicable.</p>	<p>Real Property Branch (Director, AFD Service Management Coordination)</p> <p>Real Property Branch (Director, AFD Service Management Coordination)</p>	<p>Acquisitions Branch (Senior Director)</p> <p>Acquisitions Branch (Senior Director)</p>	<p>Feb. 15, 2011</p> <p>Feb. 15, 2011</p>



### PWGSC Management Action Plan

#### Audit (consisting of specified forensic audit procedures) of Expenditures under the SNC-Lavalin O&M (Pro-Fac) Contracts

January 27<sup>th</sup>, 2011

PricewaterhouseCoopers Recommendations (PwC)	Management Response	OPI	OSI	Target date
--	---------------------	-----	-----	-------------