

Chapter 29

Treasury Board Secretariat

The Government's Annual
Contracting Activity Report — 1998

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Treasury Board Secretariat

The Government's Annual Contracting Activity Report — 1998

Main Points

29.1 This chapter examines the Treasury Board Secretariat's Annual Contracting Activity Report for the calendar year 1998. The Report provides Canadians with an annual statistical summary of the number and value of contracts let pursuant to the Government Contracts Regulations (GCR) and the government's contracting policy. The value of the reported contracts in 1998 accounted for \$13.4 billion (including NATO Flying Training in Canada Program of \$2.99 billion) or more than one third of the \$35.7 billion cost of running the government.

29.2 The systems for gathering data for the Report capture most of what is required and have the potential to provide the base for a good and useful document. However, our audit found significant deficiencies in the Report with respect to validity, reliability, transparency and relevance. (We define these terms later.)

29.3 Specifically, the deficiencies that we noted in the 1998 Report include the following:

- **Validity.** Transactions relating to contract amendments, standing offers and credit card payments are included with information on primary contracting activities. The information on these transactions should be segregated in the Report.
- **Reliability.** The audit found that information on the number and dollar value of contracts was incomplete. For example, the Report did not include at least \$320 million worth of contracts that should have been reported. We also found that information on the classification of contracts was unreliable.
- **Transparency.** The 1998 Report does not provide enough explanatory information or links to it to enable the unfamiliar reader to understand how the Report was prepared and the meaning of key terms used in presenting the data.
- **Relevance.** As was the case for previous reports, the 1998 Report was not published until more than a year after the end of the reporting period, thereby making its relevance questionable. In addition, it does not contain enough information in particular areas to meet the needs of the public and parliamentarians. These needs have been identified by parliamentary committees.

29.4 The available data do not permit us to quantify the effect of several of these deficiencies on the Report; nor do the data permit us to assess the interaction among them. Accordingly, we cannot assess the extent to which these deficiencies affect the overall fairness of presentation of the Report.

Background and other observations

29.5 The need for fairly presented and relevant statistical information on the government's contracting activities has been a long-standing concern of the Office of the Auditor General. We first raised the issue in 1982 and more recently in reports in 1991 and 1997. Concerns about the lack of appropriate information on contracting were major elements of the 1995 and 1997 Reports of the Standing Committee of the House of Commons on Government Operations. In 1999, the Public Accounts Committee also expressed concerns about the information and recommended that future reports be audited.

29.6 We recommend that the Treasury Board Secretariat improve the usefulness of the Annual Contracting Activity Report by segregating information on amendments, standing offers and credit card payments. We also

recommend that the Report provide the reasons for directing a contract to a particular supplier. The Treasury Board Secretariat should also develop quality assurance systems for the data used to develop the Report. In addition, the Secretariat needs to direct attention to resolving the conceptual and presentation issues that we have identified. Major improvements can be achieved with some additional effort and attention to statistical reporting by the procurement community.

As noted in “Subsequent Event” at the end of the chapter (paragraph 29.76), the Treasury Board Secretariat has already taken steps to address a number of our concerns. The Secretariat’s responses to our recommendations indicate that it is actively addressing some and giving what it believes to be appropriate consideration to the rest.

Introduction

Reporting on federal contracts

29.7 The Treasury Board Secretariat’s Annual Contracting Activity Report presents summary statistical information on contracting activity carried out by departments and agencies pursuant to the Government Contracts Regulations (GCRs) and the government’s contracting policy. The Report is a relatively short document. It presents information in tabular form and contains virtually no explanatory or contextual material. Information includes the dollar value and actual number of contracts awarded (both above and below \$25,000). Contracts are summarized in tables by commodity type (goods, services or construction) and the solicitation procedure used. Another table presents departmental information on contracting in less detail. The entire 1998 Report is presented in Appendix A of this chapter for easy reference.

29.8 Contracts for goods, services and construction account for \$13.4 billion — more than one third of the cost of running the government. Information on individual contracts is available from the Contracts Canada Web site, which currently includes most contracts issued by Public Works and Government Services Canada (PWGSC). However, that information is not easily aggregated. Information on payments made by the government through contracts and other purchase arrangements for goods, services and construction can be found in the detailed schedules of the Public Accounts of Canada. Given that there is no other comprehensive summary source of information on contracting in the government, the Annual Contracting Activity Report is the only means through which Parliament, suppliers and the public can begin to track activity in this area.

29.9 The Treasury Board Secretariat sets the requirements, priorities, tone and level of importance given to this report. It is also accountable for monitoring the

activities of departments and works with them on how to address the observations and recommendations of the Auditor General, parliamentary committees and internal audits. Public Works and Government Services Canada carries out procurement on behalf of departments in addition to the direct purchasing done by them. A section of PWGSC is also responsible for gathering all the information on procurement (from sources in PWGSC or the departments) and compiling it as required by the Treasury Board Secretariat.

29.10 The government carries out and reports on most of its operations on a fiscal-year basis, with a year-end of 31 March. Contract reports were prepared on a fiscal-year basis up to and including 1994–95. However, procurement reports under the international trade agreements were required on a calendar-year basis. To simplify procurement reporting, the Treasury Board Secretariat approved the change in the reporting period to calendar year, beginning with the 1995 Report.

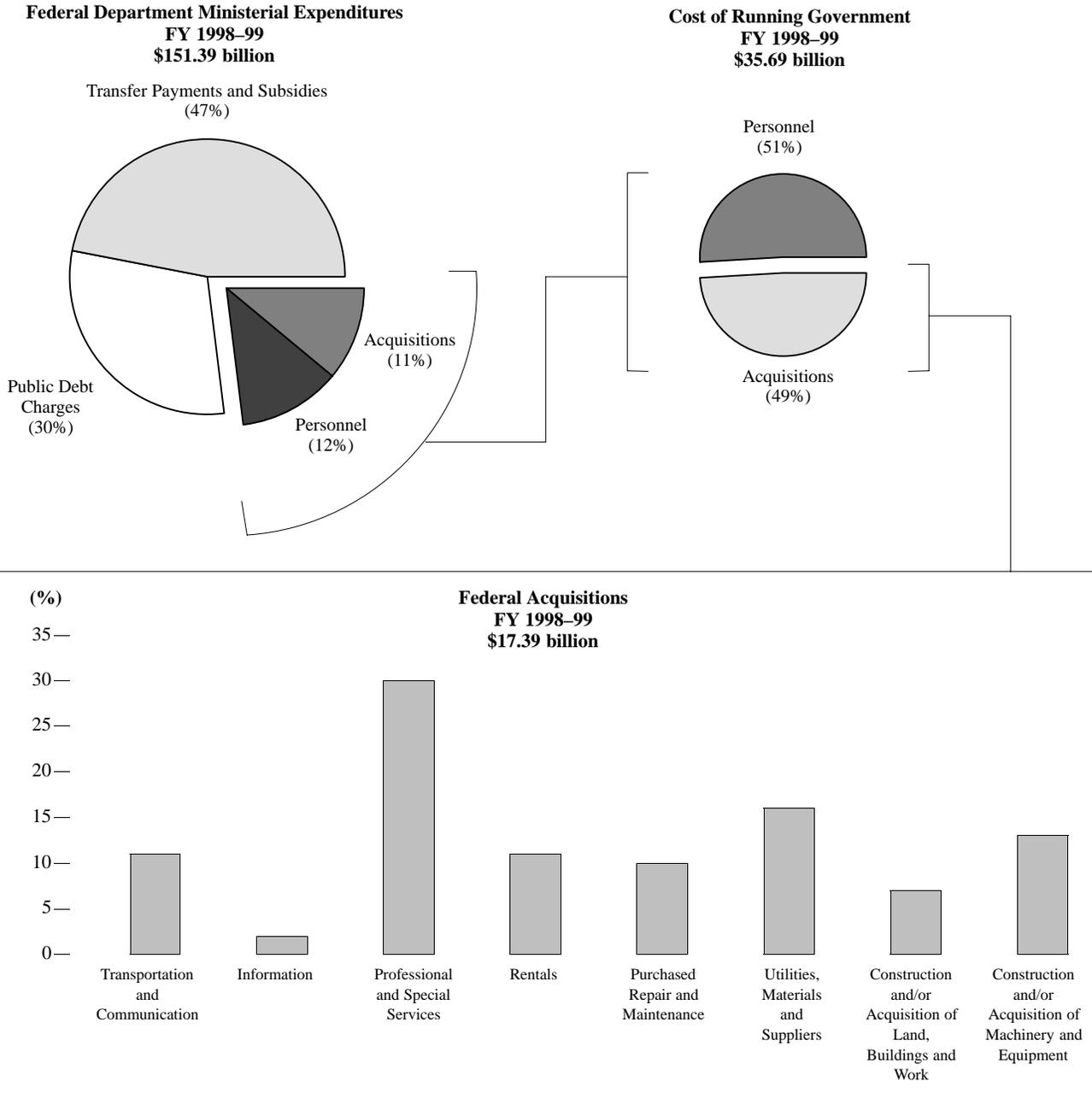
29.11 Contracting in perspective. While federal expenditures for fiscal year 1998–99 exceeded \$150 billion, the total cost of running the government (excluding transfer payments and interest) was approximately \$35.7 billion, according to the Public Accounts. Of this amount, the government payroll accounted for more than half, or \$18.3 billion. The remaining \$17.4 billion consisted largely of payments for goods, services and construction (see Exhibit 29.1). Most of this procurement is carried out using contracts. However, while some of these purchases (for example, travel and accommodation) are for goods and services, they are not considered as being contracting activity for the purposes of this report.

29.12 The federal acquisitions shown in Exhibit 29.1 cannot be reconciled with data in the 1998 Report because some of these contracts represent commitments for expenditures extending over several years;

Contracts for goods, services and construction account for \$13.4 billion — more than one third of the cost of running the government.

Exhibit 29.1

Federal Expenditures and Acquisitions, 1998–99



Source: Public Accounts of Canada, 1998–99

Exhibit 29.1 (Cont'd)

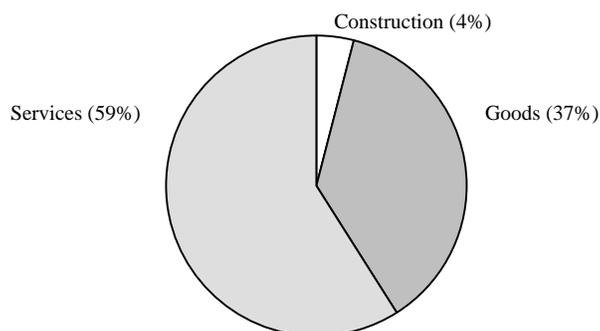
Federal Expenditures and Acquisitions, 1998–99

Partial explanation for Differences between Public Accounts of Canada figures and Annual Contracting Activity Report figures

Standard Object	(\$ millions)	Part of standard object – not included in the Treasury Board Secretariat’s Annual Contracting Activity Report	(\$ millions)
02 Transportation and Communication	1,920	Travel and Accommodations	1,042
03 Information	379		
04 Professional and Special Services	5,161		
05 Rentals	1,833	Real Property – Buildings	991
06 Purchased Repair and Maintenance	1,780		
07 Utilities, Materials and Suppliers	2,791	Utilities	278
08 Construction and/or Acquisition of Land, Buildings and Work	1,192	Purchase of Land and Buildings	1,059
09 Construction and/or Acquisition of Machinery and Equipment	2,334		
Subtotal	17,390		3,370
(less exclusions)	3,370		
Estimated Expenditures – 1998–99	14,020		

Source: Public Accounts of Canada, 1998–99

Treasury Board Secretariat Annual Contracting Activity Report
1998 (Calendar Year)
\$13.43 billion



Source: 1998 Annual Contracting Activity Report

there are also differences in reporting periods and classification between the Public Accounts and the Contracting Activity Report. However, on average, the value of contracts let in any given year is usually a fairly stable proportion of the actual annual expenditure on goods, services and construction.

29.13 Coverage of the Contracting Activity Report. Although the Report is primarily statistical in nature, it does present one key contracting performance indicator: the percentage of contracts let competitively. The government supports a broad cross section of objectives for contracting, such as meeting operational

The Treasury Board Secretariat and Public Works and Government Services Canada have publicly stated that an important element of good contracting is competition.

needs, getting best value, meeting socio-economic needs, treating potential suppliers fairly and achieving transparency (see Appendix B).

29.14 Competition in and of itself is not a sufficient condition for meeting these objectives. However, when used in good faith, it does provide some assurance that the objectives are being met. To that end, the Government Contracts Regulations and the various trade agreements all place a very strong emphasis on competition. They define competition as the preferred means of contracting. They allow contracts to be directed to one supplier only in exceptional and well-defined circumstances. Because of this, the percentage of contracts let competitively is a good summary performance measure. The Treasury Board Secretariat and Public Works and Government Services Canada have publicly stated that an important element of good contracting is competition.

Parliamentary interest

29.15 In recent years, Parliament has shown considerable interest in having reliable and valid information on contracting activity to enable it to evaluate how government contracting policy is being implemented. The shaded insert on page 29–11 presents extracts, related to reporting on contracting activity, from the Reports of the Standing Committee on Government Operations and the Public Accounts Committee. Those committees have made a number of recommendations in this area, which have yet to be implemented. Officials have informed us that the Treasury Board Secretariat is currently considering some changes that may respond in part to those recommendations.

29.16 In particular, the Public Accounts Committee recommended in 1999 that the government’s report on contracting activity be audited. This audit responds to that recommendation and to the need to

provide information to Parliament on other matters raised in the various committees’ recommendations related to contracting activity information.

Focus of the audit

29.17 This chapter examines the Treasury Board Secretariat’s Annual Contracting Activity Report for the calendar year 1998. The Secretariat publishes a summary on its Web site of the information in two government-wide schedules. It also provides further details in a schedule that breaks down this information by department. The activities are shown by two classes of values: contracts for less than \$25,000 and contracts for \$25,000 and above. While the number of contracts issued for less than \$25,000 is relatively high, these contracts represent only about 10.5 percent or \$1.4 billion by value.

29.18 We wanted to determine the extent to which the Report provides an accurate summary of contracting activity. Specifically, we wanted to assess the validity, reliability, transparency and relevance of the Report, particularly in light of the expressed needs of parliamentarians. The available data do not permit us to quantify the effect of several of these deficiencies on the Report; nor do the data permit us to assess the interaction among them. Accordingly, we cannot assess the extent to which these deficiencies affect the overall fairness of presentation of the Report. Additional details on the audit are presented in **About the Audit** at the end of the chapter.

Observations and Recommendations

Validity of Data

29.19 “Validity” of data refers to the extent to which the data represent what they purport to represent and do not mingle different types of activity. Where

The Need for More Accurate and Relevant Information on Contracting Activity — Observations by Standing Committees of Parliament

Standing Committee on Government Operations — December 1995 and April 1997

The Committee spent a number of years conducting hearings on contracting. In its report of December 1995, it found that the overall reporting framework for all contracting activity needed to be reviewed and significantly revised by the Treasury Board in order to provide accurate statistical data that was relevant to the needs of parliamentarians.

In April 1997, the Committee again highlighted a need for accurate and relevant information. More specifically it stated:

“Throughout the course of its hearings, our Committee was faced constantly with the lack of statistical information about contracting activity in government. Witnesses from both the private and public sectors voiced the same concerns. TBS and PWGS Canada officials agreed that the existing standardised reporting framework for every department had to be improved so that a proven and accurate database for all contracting activity in the government be established by an acceptable target date. Our Committee believes that TB should place a high priority on this course of action.”

“Our Committee has found the TB Annual Contracting Activity Report is a useful means of informing Parliament of a significant segment of annual public expenditures (over \$7 billion on 1994-95). It has enabled Treasury Board ministers and officials to evaluate trends in government contracting activity, competitiveness as well as compliance with TB contracting policies and regulations.”

“For this annual report to be more useful for parliamentary committees review, our Committee respectfully requests that consideration be given to improving the format and presentation of the data so that parliamentarians may better understand the justification for the variances in contracting activity by department and agency. Brief explanations for non-competitive contracting over \$25,000, contract amendments, and other significant variances would improve transparency and greatly assist the committee. Furthermore, in keeping with TB’s performance reporting, the tabling of the Contracting Activity

Report should be regularized in the fall of each year.”

The Committee recommended that the Treasury Board:

- a) “in conjunction with PWGS Canada and other departments, continue to improve a standardised reporting framework, so that an accurate database for all contracting activity in the government will be established;
- b) place a high priority on eliminating information gaps in government contracting activity by requesting data from departments on competitive and non-competitive contracts, sole-source contracts, contract amendments and justifications;
- c) place a high priority on issuing an annual report to Parliament on government contracting activity on a timely and regular basis.”

Standing Committee on Public Accounts — May 1999 and June 2000

In its report dated May 5, 1999 addressing the Auditor General of Canada’s December 1998 Report, Chapter 26 Contracting for Professional Services: Selected Sole-Source Contracts, the Committee made a number of recommendations, including the following:

Recommendation 1:

“That Treasury Board Secretariat begin immediately to adhere to Section 5.1 of its Contracting Policy by:

- a) Issuing a report on contracting at least on an annual basis, if not more frequently. Data contained in these reports must be audited;
- b) Requiring all departments and agencies awarding contracts and/or amendments to submit annual reports to the Treasury Board Secretariat on all contracting activities;
- c) Evaluating departmental compliance with contracting policies and level of competitive contracting; and

- d) Conducting periodic reviews of contracts for services of individuals, including those for less than \$5,000. The results of these reviews must be included in Treasury Board Secretariat’s Contracting Activity Report.”

Recommendation 5:

“That Treasury Board Secretariat encourage departments to include specific references to their contracting activities in their annual Performance Reports beginning with those reports issued for the period ending 31 March 1999.”

The Treasury Board Secretariat has advised that Section 5.1 of its contracting policy requires that entities shall report such data to the Secretariat; there is no legislative requirement to make this information public. The reporting requirement began with the 1991-92 fiscal year. All the years since 1991-92 are now being posted in summary on its Web site.

The Public Accounts Committee in its report, dated June 2000, dealt with our November 1999 Report, Chapter 30, Sole-Source Contracting for Professional Services – Using Advance Contract Award Notices. In this report, the Committee made the following recommendations on modifications that it would like to see incorporated in the Report:

4. “That Treasury Board Secretariat monitor departmental review of challenges to Advance Contract Award Notices and begin reporting the results accompanied by detailed explanations showing why challenges were either excepted or denied in its Annual Contracting Activity Reports beginning with the report for 2001.
5. That Treasury Board Secretariat cease its practice of deeming sole-source contracts posted in Advance Contract Award Notices as competitive until the recommendations made by the Auditor General of Canada and the House of Commons Standing Committee on Public Accounts with regard to sole-source contracts have been fully implemented and it can provide reasonable assurance that all existing requirements related to the circumstances under which sole source contracts may be awarded have been satisfied.”

Treasury Board Secretariat – The Government’s Annual Contracting Activity Report – 1998

Exhibit 29.2

Summary of Acquisition/Credit Cards, Amendments, Standing Offers and Contracting Activity, 1998

All Departments and Agencies Subject to Government Contracts Regulations											
1998 - Total Value of Contract Awards											
Value Class	Solicitation Procedure*	As Filed Total		Acquisition/Credit Cards Total		Amendments (Net) Total		Standing Offers Total		Contracting Activity Total	
		(\$,000)	(%)	(\$,000)	(%)	(\$,000)	(%)	(\$,000)	(%)	(\$,000)	(%)
Contracts below \$25,000	Competitive	521,774	37.05	147,911	46.66	19,112	36.02	32,234	75.57	322,517	32.40
	ACANs	14,872	1.06			10,124	19.09	81	0.19	4,667	0.47
	Non-Competitive	871,496	61.89	169,086	53.34	23,810	44.89	10,340	24.24	668,260	67.13
	Subtotal	1,408,142	100.00	316,997	100.00	53,046	100.00	42,655	100.00	995,444	100.00
Contracts \$25,000 and above	Competitive	6,165,857	51.27			1,138,956	58.42	1,057,657	79.25	3,969,244	45.40
	ACANs	1,813,426	15.08			196,652	10.09	2,212	0.17	1,614,562	18.47
	Non-Competitive	4,046,756	33.65			614,010	31.49	274,699	20.58	3,158,047	36.13
	Subtotal	12,026,039	100.00			1,949,618	100.00	1,334,568	100.00	8,741,853	100.00
All Contracts	Competitive	6,687,631	49.78	147,911	46.66	1,158,068	57.82	1,089,891	79.13	4,291,761	44.07
	ACANs	1,828,298	13.61			206,776	10.33	2,293	0.17	1,619,229	16.63
	Non-Competitive	4,918,252	36.61	169,086	53.34	637,820	31.85	285,039	20.70	3,826,307	39.30
Total		13,434,181	100.00	316,997	100.00	2,002,664	100.00	1,377,223	100.00	9,737,297	100.00
1998 - Total Number of Contracts											
Value Class	Solicitation Procedure*	As Filed		Acquisition Cards		Amendments		Standing Offers		Total Adjusted	
		#	(%)	#	(%)	#	(%)	#	(%)	#	(%)
Contracts below \$25,000	Competitive	550,998	36.16	419,490	37.95			3,056	77.17	128,452	31.00
	ACANs	578	0.04					6	0.15	572	0.14
	Non-Competitive	972,064	63.80	685,886	62.05			898	22.68	285,280	68.86
	Subtotal	1,523,640	100.00	1,105,376	100.00			3,960	100.00	414,304	100.00
Contracts \$25,000 and above	Competitive	13,023	64.20					3,044	87.55	9,979	59.37
	ACANs	3,606	17.78					13	0.37	3,593	21.38
	Non-Competitive	3,655	18.02					420	12.08	3,235	19.25
	Subtotal	20,284	100.00					3,477	100.00	16,807	100.00
All Contracts	Competitive	564,021	36.53	419,490	37.95			6,100	82.02	138,431	32.11
	ACANs	4,184	0.27					19	0.26	4,165	0.97
	Non-Competitive	975,719	63.20	685,886	62.05			1,318	17.72	288,515	66.92
Total		1,543,924	100.00	1,105,376	100.00			7,437	100.00	431,111	100.00

* See Exhibit 29.8 for definition of solicitation procedures.

Source: 1998 Annual Contracting Activity Report

Data supplied by Public Works and Government Services Canada and the Treasury Board Secretariat

different types of activity are important, the information on them should be segregated or posted in separate schedules. In this case, the data in the Annual Contracting Activity Report represent contracting activity carried out pursuant to the Government Contracts Regulations and the government’s contracting policy during the reporting period. Accordingly, we would expect that:

- data on primary contracts would be distinguished from data on amendments; and
- data on standing offers and credit card payments, which are not contracts, would be segregated from information on primary contracts in the Report.

29.20 Our review of validity of data focussed on the three types of transactions mentioned above: standing offers, acquisition cards and amendments (see Exhibit 29.2).

Standing offers are not contracts

29.21 In the 1998 Report, data on standing offers are included and data on the call-ups pursuant to them are excluded. Combining data on standing offers with contracts is not appropriate. A standing offer is a non-binding agreement between the federal government and a potential supplier. It is not a contract within the context of the Government Contracts Regulations. In that agreement, the supplier agrees to supply at a fixed price the specified goods or services up to a maximum amount, if and when the government needs them. A contract arises only when there is a call-up against the standing offer, at which time a contract for the quantity and delivery is struck between the government and the supplier.

29.22 Because standing offers are not contracts, data relating to them should be shown separately — not included with data on actual contracts. Combining the two types of data in effect overstates

contracting activity, resulting in reported data on contracting activity that are invalid and unreliable. The dollar-value effect can be significant. For example, data from PWGSC indicated that in 1998 the Department had included more than \$1.3 billion in standing offers in the Contracting Activity Report for amounts greater than \$25,000.

29.23 Because standing offers are not contracts, the value attached to a given standing offer represents only an estimate of a future need. In fact, some standing offers never result in any call-ups against them. However, in the Report, a standing offer (for example, for \$25,000) for which no call-ups have been issued is still reported as representing \$25,000 worth of contracting activity. We even noted some instances of “double reporting” in which the standing offer and the call-ups against it were included in the data.

29.24 Exhibit 29.3 presents some information on the number and dollar value of standing offers in 1998. The full effect of including activity related to the \$1.3 billion value of standing offers in the Report cannot be assessed because there are no reliable and comprehensive data on the actual contracts resulting from call-ups against standing offers on a government-wide basis. What is missing from the Report is the information on the number and value of contracts issued pursuant to a standing offer. However, given the current state of the available data, the magnitude of this material omission cannot reliably be estimated. As with other contracts, the information necessary to report on call-ups related to standing offers should be retained by the issuing authority and reported to the Treasury Board Secretariat on the same basis as are other contracts. We also note that the North American Free Trade Agreement (NAFTA) reporting requirements impose a statutory obligation on the government to gather the data on call-up contracts.

Some standing offers never result in any call-ups against them.

A standing offer is a non-binding agreement between the federal government and a potential supplier. It is not a contract within the context of the Government Contracts Regulations.

The 1998 Annual Contracting Activity Report included over one million credit card payments amounting to approximately \$300 million.

Acquisition/credit card payments do not belong in a report on contracting activity

29.25 Acquisition/credit cards are issued to staff on behalf of federal departments and agencies to pay for small-value purchases. The acquisition card was a government initiative that the Treasury Board Secretariat launched in December 1991 as a convenient method of procuring and paying for goods and services (within the level of delegated procurement authority) where it is efficient, economical and operationally feasible to do so.

29.26 The 1998 Annual Contracting Activity Report included, as part of the information on contracts under \$25,000, over one million credit card payments amounting to approximately \$300 million. In our view, acquisition card payments are not contracts as defined in the government’s contracting policy and are subject to a separate policy requirement. As such, information on them should be

segregated in the Report. As with standing offers, if sufficiently reliable and complete information on this type of activity can be compiled, it could be usefully presented in a note or as a separate schedule in future reports. Some segregated information on acquisition card payments is given in Exhibit 29.4.

Amendments and segregated reporting

29.27 Contracts may be amended in various ways, which may increase or decrease their dollar value. The 1998 Report shows that the net value of all amendments entered into in the reporting period was just over \$2 billion. A segregated display of the information on amendments in the Report is presented in Exhibit 29.5.

29.28 Amendments are a form of contracting activity, and therefore they should be included in the Contracting Activity Report. However, they are a very different type of activity from the original contracts to which they relate. Therefore, they should be shown in a separate

Exhibit 29.3

Standing Offers, 1998

Value Class	Solicitation Procedure	Number of Standing Offers		Value of Standing Offers	
		Number	Percent of Total Number	Value (\$,000)	Percent of Total Value
Standing Offers below \$25,000	Competitive	3,056	77.17	\$32,234	75.57
	ACANs	6	0.15	\$81	0.19
	Non-Competitive	898	22.68	\$10,340	24.24
	Subtotal	3,960	100.00	\$42,655	100.00
	Proportion	53.25%		3.1%	
Standing Offers \$25,000 and above	Competitive	3,044	87.55	\$1,057,657	79.25
	ACANs	13	0.37	\$2,212	0.17
	Non-Competitive	420	12.08	\$274,699	20.58
	Subtotal	3,477	100.00	\$1,334,568	100.00
	Proportion	46.75%		96.9%	
All Standing Offers	Competitive	6,100	82.02	\$1,089,891	79.13
	ACANs	19	0.26	\$2,293	0.17
	Non-Competitive	1,318	17.72	\$285,039	20.70
Total		7,437	100.00%	\$1,377,223	100.00%

Source: Data supplied by Public Works and Government Services Canada

schedule of the Report. This would make them more visible and would provide the level of detail needed to make the information on amendments more useful. For example, it would be useful to display the total value of upward and downward amendments separately. Data on amendments for the current year and prior years should also be presented (see shaded insert on page 29–17).

29.29 Exhibit 29.6 presents 1998 information for amendments entered into by PWGSC, using its Automated Buyer Environmental system (ABE). ABE covers more than 90 percent of the contracts let by PWGSC on behalf of departments. As the Exhibit shows, most of the amending activity relates to contracts that were let in prior years.

29.30 The Treasury Board Secretariat should segregate data on standing offers, acquisition/credit card transactions and amendments from the schedule on primary contracting activities in the Annual Contracting Activity Report.

29.31 The Treasury Board Secretariat should examine the feasibility of gathering and reporting data on standing offer call-up contracts, with the intent of both improving the Report and meeting the government’s trade reporting obligation.

29.32 Provided that reliable and complete information can be compiled on acquisition/credit card transactions, the Treasury Board Secretariat should present that information in a separate schedule in the Report.

29.33 With respect to amendments, the Treasury Board Secretariat should report separate information on increases and decreases in value, by current year and prior years. Such information should be included in a separate schedule in the Report.

Treasury Board Secretariat’s response:
The Treasury Board Secretariat has

Exhibit 29.4
Acquisition Card Transactions, 1998

Value Class	Solicitation Procedure	Number of Transactions	(%) of Total Number
Contracts below \$25,000	Competitive	419,490	37.95
	ACANs		
	Non-Competitive	685,886	62.05
	Subtotal	1,105,376	100.00

Source: Data supplied by the Treasury Board Secretariat

Exhibit 29.5
Amendments (Net), 1998

Value Class	Solicitation Procedure	Value (Net) (\$ 000)	(%) of Total Value
Amendments below \$25,000	Competitive	\$19,112	36.02
	ACANs	\$10,124	19.09
	Non-Competitive	\$23,810	44.89
	Subtotal	\$53,046	100.00
Amendments \$25,000 and above	Competitive	\$1,138,956	58.42
	ACANs	\$196,652	10.09
	Non-Competitive	\$614,010	31.49
	Subtotal	\$1,949,618	100.00
All Amendments	Competitive	\$1,158,068	57.82
	ACANs	\$206,776	10.33
	Non-Competitive	\$637,820	31.85
Total		\$2,002,664	100.00%

Source: 1998 Annual Contracting Activity Report
Data supplied by Public Works and Government Services Canada

implemented a number of changes in its 1999 Purchasing Activity Report (previously known as the Contracting Activity Report) consistent with the Auditor General’s recommendations. These changes supplement the extensive information on contracting available through Contracts Canada (<http://www.contractsCanada.gc.ca>), the government’s statutory reports to Parliament, as well as internal audits and

information from government Web sites. In the 1999 Report, segregated information is provided on amendments and acquisition card transactions. The Secretariat, in close co-operation with Public Works and Government Services Canada and key departments and agencies, will examine the feasibility of expanding its work on standing offers.

Reliability of Data

29.34 In this audit, we refer to reliability of data as the degree to which the process for gathering and compiling data produces correct and complete information. For the purposes of this audit, we have tested the reliability of data for the extent to which:

- contracts have been properly classified (competitive, advance contract award notice or non-competitive); and
- data on the number and dollar value of awarded contracts are complete and accurate — that is, all contracts (and only those contracts) that should appear in the Report are included.

29.35 We have concerns about the reliability of data in the two areas noted above. Certain reliability problems can be

linked to the process for preparing and compiling the data, which we discuss in the section beginning at 29.48.

Classification of Contracts

29.36 In carrying out our substantive testing, we looked in detail at 590 contracts with a total value of about \$7 billion. The contracts were drawn from a universe of some 20,000 contracts, processed either by PWGSC or other departments, with a value of about \$10 billion, exclusive of amendments. Our sample of 590 contracts accounted for such a high proportion (about 70 percent) of the total value of \$10 billion because 89 of them were very large contracts, representing a total value of more than \$6 billion. This figure includes a contract for the NATO Flying Training in Canada Program valued at \$2.99 billion.

29.37 In reviewing the 590 contracts, we wanted to determine the extent to which they had been classified correctly, so that readers of the Report could assess the extent of competitive versus non-competitive contracting. It is important to be able to make this assessment, given that openness and

Exhibit 29.6

Amendments for Contracts Let by Public Works and Government Services Canada, 1998

	Current Year Amendment Value (\$ 000)	Original Value of Current Year Contracts Amended (\$ 000)	Percent	Original Value of Prior Year Contracts Amended	Prior Year Amendments (\$ 000)	Total Amendments (\$ 000)
Increase in Value	\$176,703	\$1,177,325	15	(information not available)	\$1,785,547	\$1,962,250
Number of Amendments	1,934				3,498	5,432
Decrease in Value	-\$49,473	\$303,770	-16		-\$125,434	-\$174,907
Number of Amendments	624				785	1,409
Amendments Net	\$127,230		8.6		\$1,660,113	\$1,787,343
Total Value		\$1,481,095				

(Excluding NATO Flying Training in Canada Program)

Note: 1998 contracting activity = \$9,737,304 (\$25,000 and above)

Source: Data supplied by Public Works and Government Services Canada

competition are so central to government contracting policy.

29.38 To carry out our testing, we divided the population into two major groups — contracts for \$10 million and over and those under \$10 million. For the \$10 million and over group, we tested the entire population. This represented contracts worth in total over \$6 billion. We found that \$292 million in contracts for \$10 million and over had been misclassified in terms of the type of competition used.

29.39 Our sample of the balance of the population involved 501 contracts with a value of \$895 million, representing a population with a value of about \$3.8 billion. Our testing found that \$126 million of the contracts in the sample had been misclassified; this led to a best estimate, based on the sample result, that in this segment of the population about \$520 million worth of contracts had been wrongly classified.

29.40 By far, the most frequent error lay in the classification of contracts as

having been let using a “traditional competitive” approach. The term appears to have been as unclear to many of the preparers of the information as it would be to the users. As a result, many contracts that were let using the electronic bidding system were misclassified as being “traditional competitive”.

29.41 Our testing concentrated on whether or not the classification was correct, and therefore we are not prepared to make an estimate of the potential impact of these errors on the competition percentage (see Exhibit 29.7).

Completeness of Data

29.42 If the Report is to be considered a source of reliable information on contracting activity, that information must be complete. It must include all contracting activity carried out pursuant to the Government Contracts Regulations (GCRS). If the data do not include all contracts that should appear in the Report, their reliability is compromised.

Amendments and the Need for Better Information on Them — Observations by the Standing Committee on Government Operations

In a preliminary report dated December 1995, the Chairman of the Standing Committee on Government Operations recommended the following:

“6) Amendments – Given the alarming rise in amendments to government contracts, this Committee recommends:

- a) Each department should have a senior management committee to review all amendments.
- b) Amendments should be justified by the contractor to the department responsible for the contract.
- c) Amendments should be broken down into sub-categories. For example: cost overruns, legitimate contract add-ons,

etc..., with the aim of significantly reducing unnecessary cost overruns.

- d) These amendment sub-categories should have varying tolerances to be determined by a central agency. The Committee recommends that 10% be used as a guideline for specific cost overruns.”

Amendments were also included in a Standing Committee report dated April 1997.

“Growth in Contract Amendments”

- 22. “Our Committee is also concerned over the increasing use of contract amendments in most government departments and agencies. In 1994-95, for contracts \$25,000 and above, it was reported by

TBS to our Committee that the number of amendments to contracts had not declined since the previous year and the value of amendments had decreased only from \$1.83 billion to \$1.15 billion. This represents about 21% of \$5.6 billion worth of original contracts.

- 23. “Our committee shares the Treasury Board concern over the large volume of contract amendments. In many cases, the amendments are necessary and justified; in others, cost overruns have occurred as a result of weak project management and poor financial controls. Our committee believes that tighter monitoring of contract performance should be enforced by Treasury Board and by the contracting authority within departments and agencies.”

Exhibit 29.7

Results of Substantive Tests — Sample

We took a total sample of 590 contracts. Of these, 466 were issued by Public Works and Government Services Canada and 124 by departments directly.

Comparison of actual to reported	VALUE								
	Contracts issued by PWGSC =>\$10 million				Contracts issued by departments =>\$10 million				Total
Solicitation Procedure	C	H	L	\$ Millions	C	H	L	\$ Millions	\$ Millions
Hierarchy of Solicitation Procedures									
Open Bidding	1,345	–	–	1,345	238	14	–	252	1,597
Traditional Competitive	559	15	211	785	–	–	–	0	785
Advanced Contract Award Notice	677	40	–	717	–	–	–	0	717
Traditional Non-Competitive	3,123	–	12	3,135	–	–	–	0	3,135
Subtotal Value	5,704	55	223	5,982	238	14	–	252	6,234
Percent of Total Value	95.4	0.9	3.7	100	94.4	5.6	–	100	
	Other contracts issued by PWGSC =>\$25,000				Other contracts issued by departments =>\$25,000				
Open Bidding	336	22	–	358	93	1	–	94	452
Traditional Competitive	61	11	64	136	30	7	3	40	176
Advanced Contract Award Notice	202	10	1	213	21	1	–	22	235
Traditional Non-Competitive	9	–	6	15	17	–	–	17	32
Subtotal Value	608	43	71	722	161	9	3	173	895
Percent of Value	84.2	6.0	9.8	100	93.1	5.2	1.7	100	
TOTAL VALUE	6312	98	294	6,704	399	23	3	425	7,129
Percent of Total Value	94.1	1.5	4.4	100	93.9	5.4	0.7	100	
Comparison of actual to reported	NUMBER								
	Contracts issued by PWGSC =>\$10 M				Contracts issued by departments =>\$10 M				Total
Solicitation Procedure	C	H	L	Number	C	H	L	Number	Number
Hierarchy of Solicitation Procedures									
Open Bidding	44	–	–	44	2	1	–	3	47
Traditional Competitive	13	1	5	19	–	–	–	0	19
Advanced Contract Award Notice	18	2	–	20	–	–	–	0	20
Traditional Non-Competitive	2	–	1	3	–	–	–	0	3
Subtotal Number	77	3	6	86	2	1	–	3	89
Percent of Number	89.5	3.5	7.0	100	66.7	33.3	–	100	
	Other contracts issued by PWGSC =>\$25,000				Other contracts issued by departments =>\$25,000				
Open Bidding	191	11	–	202	42	2	–	44	246
Traditional Competitive	32	4	25	61	28	3	7	38	99
Advanced Contract Award Notice	93	6	1	100	16	1	–	17	117
Traditional Non-Competitive	14	–	3	17	22	–	–	22	39
Subtotal	330	21	29	380	108	6	7	121	501
Percent of Number	86.9	5.5	7.6	100	89.3	5.0	5.9	100	
TOTAL NUMBER	407	24	35	466	110	7	7	124	590
Percent of Total Number	87.3	5.2	7.5	100	88.8	5.6	5.6	100	

C= Correct as to actual level of competition
H= Higher as to actual level of competition
L= Lower as to actual level of competition

Contracting by Crown corporations is generally omitted from the Report

29.43 As noted earlier, the Annual Activity Contracting Report is intended to cover only those contracts let under the Government Contracts Regulations. Except for the National Capital Commission (NCC), Crown corporations do not fall under these regulations. Accordingly, the NCC should report its contracting activity, but it has never done so. The Treasury Board Secretariat has advised us that the Commission has now begun to report the required information, starting with calendar year 1999. Conversely, we found that another Crown corporation, the National Film Board, did report, even though it is specifically excluded from reporting requirements as per the GCRs.

29.44 It is worth noting that as the continued evolution of alternative service delivery unfolds, the issue of what is the population of entities necessary to ensure a comprehensive overview of the government’s contracting activity will become more important. For example, in late 1999 Revenue Canada became the Canada Customs and Revenue Agency and subsequently no longer came under the GCRs. In 1998, according to the Report, Revenue Canada initiated over \$280 million of contracting activity (primary contracts, amendments, standing offers and acquisition card payments).

Some contracts are excluded for security reasons

29.45 The contracting activities of the Canadian Security Intelligence Service (CSIS) are governed by the Government Contracts Regulations. Strictly speaking, they should therefore be included in the Report. However, the Treasury Board Secretariat has agreed not to include them for security reasons. Similarly, a number of other contracts let by PWGSC are omitted from the 1998 Report for security reasons.

29.46 Contrarily, The Public Accounts of Canada includes financial data for security-sensitive entities. These data are appropriately combined with those of related entities to ensure that security is not compromised. In our opinion, the Report could adopt a similar approach in reporting those contracts currently excluded for security reasons. Doing so would create a more accurate picture of the government’s true contracting activity.

29.47 The Treasury Board Secretariat should include in the Annual Contracting Activity Report all contracting activity in the reporting period subject to the Government Contracts Regulations and the government’s contracting policy. Where security considerations require it, the information should be appropriately aggregated with that of other entities.

Treasury Board Secretariat’s response: The Treasury Board Secretariat is committed to ensuring that the Purchasing Activity Report is open and transparent and is reflective of the government’s policy framework. The Secretariat will review the existing Report to ensure that it remains consistent with the government’s national security requirements.

The 1999 Purchasing Activity Report addresses the minor omissions identified through this audit.

Preparing and Compiling Data

29.48 The information in the Report is only as reliable as the data on which it is based. We looked at the extent to which the data on about \$10 billion (excluding amendments) worth of contracts over \$25,000, let in 1998, were complete. Our review focussed on the \$1.2 billion reported by some 60 departments and the \$8.9 billion that PWGSC had let for itself and on behalf of other departments.

29.49 The following briefly describes the basic steps involved in compiling data for the Report:

The National Capital Commission should report its contracting activity, but it has never done so.

We found at least \$320 million (about 2.4 percent) in missed contracts that should have been included in the 1998 Report.

- First, departments collect data on the contracts they have issued themselves (including data on any amendments) according to instructions from the Treasury Board Secretariat on what data to include and how to report them.
- Second, PWGSC adds departmental data to its own data on contracts that it has let itself and on behalf of other departments. PWGSC’s data are captured by two main systems. These systems vary in the quality of data they produce. (We note that PWGSC is moving toward using only the better of the two systems. This should result in better quality data in the future).
- Third, PWGSC rolls up departmental data and data from its own two systems into a single database — the Government-Wide Procurement Reporting System.
- Fourth, PWGSC asks departments to confirm the accuracy and completeness of the roll up. It then sends the data to the Treasury Board Secretariat. It is important that senior levels in departments be aware of what information is being reported on their contracting activity and how it was derived, prior to the Report being submitted to ministers.
- Fifth, the Secretariat adds data on those credit card transactions not yet reported and formats the data into the Annual Contracting Activity Report.

Key Concerns About Compilation

Data on various contracts did not appear in the government-wide contracting database

29.50 Our preliminary tests showed that a number of significant contracts that had been let in 1998 had not been included in the Government-Wide Procurement Reporting System. For example, we found that a contract for \$27 million that PWGSC had let on behalf of another

department was missing from the government-wide system. (As noted earlier, this system produces the data on which the Report is based.) PWGSC attributed this omission to delays in transferring data between two systems. Despite such delays, the data are eventually captured; however, if the data are not sent to the government-wide system in time, they will not be reflected in the Report.

29.51 To quantify the effect of such delays, we used the most current information (30 June 2000) available on contracts let by PWGSC in 1998. We found at least \$320 million (about 2.4 percent) in missed contracts that should have been included in the 1998 Report.

29.52 PWGSC records a number of contracts manually, some of which are high-value. However, the Department has no central registry or system that contains data on every contract that it lets. Accordingly, the Department could not provide us with assurance on the completeness (reliability) of any list of contracts it might produce.

The “negative confirmation” process does not function well

29.53 As previously noted, each department is asked to confirm the contracting data relating to it. If departments do not request any changes or note any omissions, PWGSC considers silence to be a confirmation. In our view, this “negative confirmation” approach is not effective. We did not specifically audit departmental systems for capturing data on contracts. Therefore we cannot accurately quantify their effect on the overall reliability of contracting data. However, other audit work carried out by our Office and the lack of response by departments to the negative confirmation process led us to believe that system deficiencies may exist.

PWGSC’s internal review catches some omissions

29.54 We found that PWGSC, following its review of the data, had advised departments (after confirmation had been requested) that 37 contracts, valued at more than \$3 billion, had been omitted from the Report. These were contracts that PWGSC had carried out on behalf of various departments. One contract was for \$2.99 billion (NATO Flying Training in Canada Program). The other 36 had a total value of almost \$50 million. No department had notified PWGSC that any of these contracts had been omitted from the Report; furthermore, there is no requirement for any departmental official to sign off on the accuracy of the contracting activity data submitted to PWGSC.

Inaccuracies in the data input process were evident

29.55 The quality and accuracy of input directly affect the reliability of data and, by extension, the Report. We examined a sample of 590 contracts to test the accuracy of the coding or input for the classification of contracts. We chose classification because, as noted earlier, how contracts are classified is essential to assessing the extent of competition in the government contracting process. We found more than 10 percent of the contracts were misclassified.

29.56 The reliability issue is not new. We raised it in the 1991 Report of the Auditor General and again in 1997. In those reports, we reported that the systems capture basic contract information, including the contract-award method (competitive or non-competitive). This information allows the tabulation and reporting of statistics on the number of competitive and non-competitive procurements. However, the systems do not accurately capture the reasons for awarding non-competitive contracts, and

the reliability of the internal information is questionable.

29.57 In 1998 Public Works and Government Services Canada accounted for almost \$9 billion (excluding amendments) of the total value of contracts reported. During the past few years, three internal audits focussed on the integrity of the procurement data collection systems. These audits did not test for completeness but concentrated on how data are captured. They all concluded that except for certain “tombstone” data (dates and contract values), much of the statistical information cannot be relied upon.

29.58 The Department has indicated that improvements made to its quality control procedures, combined with other system changes, should permit it to improve the quality and timeliness of its data.

29.59 **The Treasury Board Secretariat should establish quality assurance standards for the preparation of data submitted for inclusion in the Annual Contracting Activity Report. These standards should include specific parameters for the completeness and accuracy of the data.**

29.60 **The Treasury Board Secretariat should require that when an entity submits its data for inclusion in the Annual Contracting Activity Report, the Senior Financial Officer for the entity include a letter of representation. This letter would give assurance to the Treasury Board Secretariat that the data have been prepared in accordance with the instructions, the required quality assurance procedures have been applied with a satisfactory result, and the submitted data contain no material errors.**

Treasury Board Secretariat’s response:
The Treasury Board Secretariat is working with departments and agencies to examine ways to streamline and improve how statistics on contracting activity are

There is no requirement for any departmental official to sign off on the accuracy of the contracting activity data submitted to Public Works and Government Services Canada.

The Annual Contracting Activity Report does not contain any descriptive text to provide a context for the information and how to interpret it.

compiled and will review the appropriateness of the existing reporting requirements and the current reporting standard provided in the Procurement Reporting Guide.

Consistent with Results for Canadians, sign-off at an appropriate level of delegations within the department will be a requirement for future reports.

Transparency in Reporting

29.61 Transparency in reporting relates to how clear and understandable the information in the Report is to its readers. Transparent reporting results in more openness and provides a better understanding of why decisions are made. Moreover, it contributes to improving future performance, since Parliament and the public have access to the data needed to evaluate the implementation of contracting policy.

29.62 The Report does not contain any descriptive text to provide a context for the information and how to interpret it. For example, the Report classifies contracts according to four solicitation procedures: open bidding, traditional

competitive, advance contract award notice (ACAN) and traditional non-competitive (see Exhibit 29.8). However, there is no explanation of these classifications and their relationships to the contracting process (particularly the element of competition) in the Report itself. The only complete description of them we found was in the instructions given by the Treasury Board Secretariat to those who prepare the data. A clear understanding of these terms is important to anyone who wants to understand and draw conclusions from the data.

29.63 In our view, to be more transparent and useful, we would expect the Report to:

- define its purpose;
- explain what is being reported;
- indicate how it was prepared (time frame, relevant rules and regulations, etc.);
- explain the concept of contract value (original value of contract including GST and excluding amendments); and
- elaborate on the headings and provide more definitions.

Exhibit 29.8
Definition of Solicitation Procedures

Open Bidding (Competitive)	Solicitations that meet the requirements of section 7(a) of the Government Contracts Regulations (GCRs) — A contracting authority shall solicit bids by giving public notice, in a manner consistent with generally accepted practices, of a call for bids respecting a proposed contract. The most frequent way of doing this is by posting it on MERX, an electronic tendering service.
Traditional Competitive	Solicitations that meet the requirements of section 7(b) of the GCRs — A contracting authority shall solicit bids by inviting bids on a proposed contract from suppliers on the suppliers’ list. Source lists are used to identify potential bidders.
Advanced Contract Award Notice (ACAN)	Directed contracts, which meet one of the four exceptions allowed under Section 6 of the GCRs — ACANs are posted on MERX to allow other potential suppliers to challenge the decision before the contract is let.
Traditional Non-Competitive	Directed contracts, which meet one of the four exceptions allowed under Section 6 of the GCRs — They are not posted prior to the award of the contract and potential suppliers have little opportunity to launch a challenge.

Source: Procurement Reporting Guide

29.64 We would also expect the Report to present a range of other explanatory text such as:

- explanations of contract award processes being used — open bidding, traditional competitive, ACAN or traditional non-competitive;
- definitions of commodity types;
- explanations on comparing current information with information from prior years;
- a list of any departments or agencies that ought to have been included that were not; and
- supplementary schedules on amendments, acquisition cards, standing offers, justification for sole-sourcing of ACANs and traditional and non-competitive contracts, and analysis of performance year to year.

29.65 The Treasury Board Secretariat has agreed and has reflected most of these elements in its preliminary 1999 Report.

Relevance of Data

29.66 To be relevant to decision makers such as Parliament and its committees and other interested parties, it is important that the Report be timely and contain the required information in a clear and concise manner. As this is a report on contracting activity, it should contain information specifically related to the level of competition and the reasons for not soliciting bids. Other information on standing offers, acquisition cards and amendments should be presented either in notes to the main schedules of the Report or in separate schedules.

29.67 Timeliness. In the past, reports have often been considerably out of date when they were published. The 1998 Report was no exception. It was not available until well over a year after the end of the period being reported. These delays have been a significant irritant to

parliamentarians. The Secretariat is working with departments and agencies through the Treasury Board Advisory Committee on Contracting to develop procedures that will streamline the production of future reports. It has also taken some other steps toward improving the substance and timeliness of the Report.

29.68 Data on the degree of competitiveness. As discussed earlier, the percentage of contracts let competitively is an important measure of government contracting performance and a matter in which Parliament has expressed ongoing interest. The summary and detailed schedules of the Report present this percentage; however, it differs between the schedules. In the summary schedules, the competitiveness percentage is correctly calculated. It reflects only those contracts let using the open bidding and traditional competitive methods of competition (based on a source list of potential contractors). Sole-source contracts and ACANs are reported as a separate percentage. Sole-source contracts are correctly labelled as non-competitive. However, in the detailed schedule, which breaks out the information by reporting entity, the competitive percentage includes sole-source contracts that were let following the posting of an ACAN. As we indicated in our November 1999 Report:

In compiling its statistics on contracting performance for 1996 and 1997, the Treasury Board Secretariat began the practice of treating contracts awarded after posting an ACAN as “competitive” for some statistical reporting purposes. In our view, this practice is misleading. First, as can be seen from our observations, the contracts are sole-source contracts — not the result of an open, competitive tendering process. Posting a notice of the intent to issue a sole-source contract is not a substitute for competition.

The Treasury Board Secretariat began the practice of treating contracts awarded after posting an advance contract award notice (ACAN) as “competitive” for some statistical reporting purposes. In our view, this practice is misleading.

Exhibit 29.9

Assessing Sole-Sourcing Using an Advance Contract Award Notice (ACAN) Against the Criteria

ACANs: In Chapter 30 of our November 1999 Report, we concluded that the ACANs associated with the sole-source contracts added transparency to directed contracting because ACANs are publicly advertised. This compares with the nearly 40 percent of sole-source contracts that are let without any public notice. But we still maintain that such contracts should not be included with competitive contracts when quoting the level of competitiveness.

Our 1999 chapter identified that departments improperly used ACANs and only six percent of the 50 ACANs were posted on MERX for the required 15 calendar days.

In our 1999 audit on ACANs, we published the following results:

	Met (%)	Not Met (%)
The decision to sole-source was in accordance with one of the four exceptions in the regulations.	11	89

Issue	Competitive Situation	Sole-Sourcing ACAN
Openness	Call for tenders is available to all involved at the same time.	The award notice is posted only after arrangements with the chosen supplier are substantially complete.
Perception of Openness	All qualified suppliers are welcome.	This is a type of “negative-option”. “We’ve made our decision that no one else can do this, challenge it, if you will.”
Time	The time varies with the complexity of the situation, but all bidders have the same amount of time to prepare and submit their bids.	There is a 15–day minimum period; however, this can often be as few as nine working days. The selected supplier has no formal constraint on the time it has to prepare its offer.
Information on Requirements	The tendering documents contain a detailed statement of requirements and specify how parties’ requirements are to be presented. All parties receive the same information.	A very brief statement of requirements is often included in the ACAN. The department may or may not supply additional information. The chosen supplier has ongoing access to the statement and frequently drafts it.
Information on Assessment	The basis for assessment must be clearly stated in the tendering documents. All parties must receive the same information, and they have an equal chance to shape their tender to maximize the assessment.	There is no assessment information. No assessment scheme is developed <i>a priori</i> . The challenger is not furnished in advance with information on how the validity of the challenge will be assessed. It also has little ability to strategically shape its submission.
Clarification/Additional Information	All bidders have an equal right to ask questions and seek clarification. All bidders must be given equal access to the questions raised and the answers given.	There is no requirement in this area.
Assessment of Bids	All bids must be fairly assessed against the pre-established criteria set out in the call for proposals using the pre-established assessment methodology.	There is no requirement for a comparative assessment of the proposal of the challenger and the chosen supplier. No requirement exists for pre-established criteria or for a pre-established assessment methodology.

Source: Office of the Auditor General

29.69 The Public Accounts Committee discussed this observation at its hearing on our November Report. It recommended that the government stop treating sole-source contracts accompanied by an ACAN as competitive in its statistical reports. Our position on the issue remains unchanged; ACANs should not be combined with competitive contracts when calculating the competitiveness percentage. The reasons for our position are summarized in Exhibit 29.9. The effect of the current presentation in the Report is to seriously distort — that is, overstate — the extent of competitive contracting for many entities.

29.70 In examining the data, we found two instances of this distorting effect on the statistics. In both instances, contracts had been directed to a sole supplier. Government regulations required that this supplier be awarded these contracts. Even if another potential supplier existed, it could not have challenged this award or received the business. Nevertheless, an ACAN was posted for each of these contracts. Exhibit 29.9 compares the characteristics of a competitive situation. It is clear from this exhibit that these ACANs do not meet the test of competitiveness according to our criteria as listed in the left-hand column. We note that the Treasury Board Secretariat considers the contracts resulting from these ACANs to be competitive. As a result, the value of non-competitive contracts was reduced by \$288 million, and the value of competitive contracts was increased by a corresponding amount. Adjusting the data for these two contracts would reduce the competitive contracting percentage for 1998 for the department involved from 47 percent to 43 percent.

29.71 The U.S. and the European Community generally report similar information on competition, although the levels of detail vary. Comparison of levels of competitive contracting using the 1998 Report indicates that, while Canada does not have the highest rate of competition,

percentages for all three jurisdictions are comparable. A proper comparison cannot be carried out until all the significant deficiencies in the Report have been addressed.

29.72 Reasons for sole-sourcing. The reasons for sole-sourcing are highly relevant to anyone who is interested in knowing how well government contracting policy is being implemented with respect to competitiveness. For instance, parliamentarians have regularly expressed interest in receiving this information. In addition, the Standing Committee on Government Operations recommended in 1997 that the Treasury Board Secretariat place a high priority on eliminating information gaps in government contracting activity by requesting data from departments on competitive and non-competitive contracts, sole-source contracts, and the reasons for sole-sourcing. This information is important so that evaluations can be carried out to identify problems or issues that need to be addressed in implementing contracting policy. Although departments do collect certain information on the reasons, it is not presented in the Report. Exhibit 29.10 provides an example of the type of information that could be usefully presented in future reports.

29.73 The Treasury Board Secretariat should require that departments report which of the four justifications specified in the Government Contracts Regulations was used for not soliciting bids when using advance contract award notices and traditional non-competitive contracts.

29.74 The Treasury Board Secretariat should include information on the Government Contracts Regulations justification used for not soliciting bids in a schedule of the Annual Contracting Activity Report.

Treasury Board Secretariat’s response:
The Purchasing Activity Report is used to provide a clear picture on competitive and

The 1998 Annual Contracting Activity Report requires significant improvements with respect to each of the criteria areas we examined — validity, reliability, transparency and relevance.

non-competitive contracting processes as set out in the Contracting Policy. The government sees tools such as internal audits and reviews as a key way of assessing consistency with the competitive and non-competitive provisions of the government’s policy and regulations within government departments and agencies. Internal audits are efficient and provide value-added information not achievable through data collection and are therefore the primary focus of the Secretariat’s efforts.

In addition to direct queries to departments and agencies on individual contracts, interested parties may contact Contracts Canada (<http://www.contractscanada.gc.ca>) for information on the justifications for not calling bids for approximately 85 percent of the contracts awarded in 1998, as these contracts are awarded by Public Works and Government Services Canada.

The Secretariat will examine the business case for the above-noted recommendations with a view to identifying cost-effective ways to modify existing systems across

other government departments and agencies for collecting information on government contracting, to move from 85 to 100 percent reporting on these additional details.

Conclusion

29.75 Overall assessment. Our audit found that the 1998 Annual Contracting Activity Report requires significant improvements with respect to each of the criteria areas we examined — validity, reliability, transparency and relevance. At the same time, we found that the basic systems required to develop a report that does not have these deficiencies are already in place. Some effort and a modest investment of resources will be needed to achieve this result. However, if the effort and investment of resources are made, the resulting information will support the production of a high-quality report on contracting activity, enable departmental managers to better manage their responsibilities for contracting, and ultimately support the Modernization of Comptrollership initiative.

Exhibit 29.10

Justification for Not Soliciting Bids

Justification for Not Soliciting Bids*	Solicitation Type				Total	
	Sole Source with ACAN		Sole Source		(\$ 000)	Percent
	(\$ 000)	Percent	(\$ 000)	Percent		
Exclusive Rights	\$1,375,572	85.1	\$233,468	53.5	\$1,609,040	78.4
National Interest	\$175,226	10.8	\$119,306	27.3	\$294,532	14.4
Extreme Urgency	\$7,491	0.5	\$23,937	5.5	\$31,428	1.5
Low Dollar Value**	\$10,524	0.7	\$18,846	4.3	\$29,370	1.4
None Given	\$47,657	2.9	\$41,118	9.4	\$88,775	4.3
Total	\$1,616,470	100.0	\$436,675	100.0	\$2,053,145	100.0

*These justifications are similar to the four permitted exceptions to solicit bids, outlined in Section 6 of the Government Contracts Regulations.

**It is unclear why this reason was selected as the contracts were all over the \$25,000 threshold. It may be because they were under the threshold for the relevant trade agreement.

Source: Public Works and Government Services Canada, based on the original government-wide file. It does not include late contracts, the Canadian Security Intelligence Service or the Nato Flying Training in Canada Program contract.

Subsequent Event

29.76 On 3 October 2000, the Treasury Board Secretariat published a preliminary version of its report on contracting activity for 1999. The report is now entitled “1999 Purchasing Activity Report”. We have not audited this report and therefore can offer no audit opinion on it. However, the new report does respond positively to many of the issues raised in this chapter, including the following:

- The information on acquisition card purchases is excluded from the schedule on primary contracting.

- The information on amendments is segregated in the schedule and additional information is provided in the notes.
- The Report has extensive explanatory notes addressing most of the issues that we discuss under Transparency in Reporting in the section beginning at paragraph 29.61.
- The data, while not final, are being issued on a preliminary basis and much earlier than were previous reports.



About the Audit

Objective

The objective of this audit was to examine the Treasury Board Secretariat’s Annual Contracting Activity Report for 1998 and to report to Parliament on the results of our examination. We assessed the Report for validity, reliability, transparency and relevance.

The available data do not permit us to quantify the effect of several of these deficiencies on the Report; nor do the data permit us to assess the interaction among them. Accordingly, we cannot assess the extent to which these deficiencies affect the overall fairness of presentation of the Report.

Scope

We looked at the quality of the data that departments submitted to Public Works and Government Services Canada and that PWGSC in turn submitted to the Treasury Board Secretariat for its Annual Contracting Activity Report. We also looked at the presentation of the data to assess its usefulness and relevance to readers. In doing so, we focussed on the extent to which the content of the Report reflects the substance and intent of the Government Contracts Regulations. We did not audit any departmental systems for capturing contracting data.

Criteria

Our criteria were derived from:

- an analysis of sections 5 and 6 of the Government Contracts Regulations and their interpretation in the Treasury Board policy;
- previous testimony and proceedings of the Standing Committee on Government Operations, Public Accounts Committee and their various reports since 1995;
- interviews with officials in the Treasury Board Secretariat and in Public Works and Government Services Canada;
- previous chapters on contracting in Reports of the Auditor General of Canada: 1991 – Chapters 18 and 19, 1997 – Chapter 6, 1998 – Chapter 26 and 1999 – Chapter 30; and
- the criteria for the audit of performance information developed by the Office of the Auditor General.

Approach

Contracting activity is carried out directly by departments or through PWGSC. For the two data streams managed by PWGSC, we derived most of our assurance from systems documentation and controls, supplemented by substantive testing.

Because of the widely dispersed data sources from departments, and prior observations during interviews carried out, we determined that post-submission controls are weak. Therefore, we relied mainly on substantive testing for assurance in this area.

Our substantive testing was carried out using a combination of dollar-unit sampling and high-value items. The testing consisted of:

- discussions held with the Treasury Board Secretariat, Public Works and Government Services Canada and a number of departments;
- analysis of documentation provided by the Secretariat and 25 line departments, including PWGSC on its own behalf and acting on behalf of other entities; and
- a survey of documentation supporting the classification by open bidding, traditional competitive, advanced contract award notice (ACAN) and traditional non-competitive approaches for 89 contracts equal to or greater than \$10 million and 501 other contracts equal to or greater than \$25,000.

The audit sample was identified and selected from the total population. All high-value contracts were chosen. The remainder were selected on the basis of a computer-generated random sampling framework for dollar-unit sampling. The results were adjusted to reflect the sampling design.

The following 25 entities were included in our selection:

Agriculture and Agri-Food Canada, Foreign Affairs and International Trade, Department of Justice, Correctional Service Canada, Natural Resources Canada, National Research Council Canada, Statistics Canada, National Revenue, Superintendent of Financial Institutions, Canadian International Development Agency, Canadian Centre for Management Development, Western Economic Development Canada, Citizenship and Immigration Canada, Canadian Heritage, Public Works and Government Services Canada, Fisheries and Oceans, Health Canada, Environment Canada, Royal Canadian Mounted Police, Transport Canada, Industry Canada, Human Resources Development Canada, National Defence, Canadian Space Agency.

Our audit did not include steps to determine whether the justification claimed for using an ACAN or the traditional non-competitive approach was justified; nor could we determine the appropriateness of using a traditional competitive approach instead of open bidding. Furthermore, we did not assess either the performance or the qualifications of the suppliers. No comments in the chapter should be construed as criticism of any supplier.

Reporting before 1996

In the late 1970s and early 1980s, departments provided a semi-annual report to the Treasury Board Secretariat on contracting for temporary help. In the 1980s, departments also provided an annual report on contracts for consulting and professional services. These requirements continued until April 1989.

In 1990, departments were asked to provide an annual report on contracting activities that replaced the two earlier reports. The result was a more concise report in 1991–92, with streamlining of reporting requirements.

From 1991–92 until 1993–94, departments and agencies, including Supply and Services Canada and Public Works Canada, submitted the information directly to the Treasury Board Secretariat. These reports included the activities of approximately 50 major entities. The exclusion of other federal entities was not considered to have a material impact on what was being reported. All information for the years since 1991–92 has been published on the Internet.

Starting in 1994–95, following the signing of the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO) agreement, decisions were made to have PWGSC receive and compile all the data on behalf of the Treasury Board Secretariat that would form the basis of the Report. As Public Works and Government Services Canada was responsible for reporting under the trade agreements and much of the data were common, it made sense that the Department would take on the responsibility to gather and compile the data for the Report.

Recent audit activity by the Office of the Auditor General

Two Reports of the Auditor General further increased Parliament’s interest in government contracting. In our December 1998 Report, we published the results of our audit, Contracting for Professional Services: Selected Sole-Source Contracts. This audit was the first of a number of audits on contracting done by departments and agencies.

In our November 1999 chapter, we reported the results of our audit of a sample of some 50 ACANs for services not involving goods, selected from a database maintained by an outside firm (MERX) under contract to PWGSC.

Audit Team

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Appendix A

The Treasury Board Secretariat’s Annual Contracting Activity Report, 1998

1998 — All departments and agencies subject to *Government Contracts Regulations*

Total value of contract awards and net amendments (\$000) (Note 1)

Contract Type		Goods (\$ 000)	(%)	Services (\$ 000)	(%)	Construction (\$ 000)	(%)	Total (\$ 000)	(%)
Contracts below \$25,000	Competitive	401,433	46.66	101,039	19.90	19,302	48.22	521,774	37.05
	ACANs	10,379	1.21	4,257	0.84	236	0.59	14,872	1.06
	Non-Competitive	448,508	52.13	402,499	79.26	20,489	51.19	871,497	61.89
	Subtotal	860,320	100.00	507,795	100.00	40,027	100.00	1,408,142	100.00
Proportion								10.5%	
Contracts \$25,000 and above	Competitive	2,845,760	69.03	2,857,928	38.70	462,169	88.99	6,165,858	51.27
	ACANs	838,090	20.33	958,965	12.99	16,371	3.15	1,813,426	15.08
	Non-Competitive	438,768	10.64	3,567,164	48.31	40,824	7.86	4,046,757	33.65
	Subtotal	4,122,618	100.00	7,384,057	100.00	519,364	100.00	12,026,039	100.00
Proportion								89.5%	
All Contracts	Competitive	3,247,193	65.17	2,958,967	37.49	481,471	86.07	6,687,632	49.78
	ACANs	848,469	17.03	963,222	12.21	16,607	2.97	1,828,298	13.61
	Non-Competitive	887,276	17.81	3,969,663	50.30	61,313	10.96	4,918,253	36.61
Total		4,982,938	100.00	7,891,852	100.00	559,391	100.00	13,434,181	100.00
Proportions		37.09%		58.74%		4.16%		100.0%	

Breakdown: Contract Awards 11,431,517
Net Amendments 2,002,664
\$ 13,434,181

Note 1 – The data include acquisition card transactions.

1998 — All departments and agencies subject to *Government Contracts Regulations*

Total value of contract awards and net amendments (\$000) (Note 1)

Excluding the service contract for the NATO Flying Training in Canada Program

Contract Type		Goods (\$ 000)	(%)	Services (\$ 000)	(%)	Construction (\$ 000)	(%)	Total (\$ 000)	(%)
Contracts below \$25,000	Competitive	401,433	46.66	101,039	19.90	19,302	48.22	521,774	37.05
	ACANs	10,379	1.21	4,257	0.84	236	0.59	14,872	1.06
	Non-Competitive	448,508	52.13	402,499	79.26	20,489	51.19	871,496	61.89
	Subtotal	860,320	100.00	507,795	100.00	40,027	100.00	1,408,142	100.00
Proportion								13.5%	
Contracts \$25,000 and above	Competitive	2,845,760	69.03	2,857,928	65.13	462,169	88.99	6,165,857	68.28
	ACANs	838,090	20.33	958,965	21.85	16,371	3.15	1,813,426	20.08
	Non-Competitive	438,768	10.64	571,164	13.02	40,824	7.86	1,050,756	11.64
	Subtotal	4,122,618	100.00	4,388,057	100.00	519,364	100.00	9,030,039	100.00
Proportion								86.5%	
All Contracts	Competitive	3,247,193	65.17	2,958,967	60.44	481,471	86.07	6,687,631	64.07
	ACANs	848,469	17.03	963,222	19.67	16,607	2.97	1,828,298	17.52
	Non-Competitive	887,276	17.81	973,663	19.89	61,313	10.96	1,922,252	18.42
Total		4,982,938	100.00	4,895,852	100.00	559,391	100.00	10,438,181	100.00
Proportions		47.74%		46.90%		5.36%		100.0%	

Breakdown: Contract Awards 8,435,517
Net Amendments 2,002,664
\$ 10,438,181

Note 1: The data **include** acquisition card transactions, but **exclude** the non-competitive service contract (approved by the Cabinet) valued at \$2.996 billion for the NATO Flying Training in Canada Program.

Appendix A (cont’d)

1998 — All departments and agencies subject to *Government Contracts Regulations* Total number of contracts (Note 1)

Contract Type		Goods	(%)	Services	(%)	Construction	(%)	Total	(%)
Contracts	Competitive	515,563	37.95	32,556	20.54	2,879	43.99	550,998	36.16
Below	ACANs	354	0.03	189	0.12	35	0.53	578	0.04
\$25,000	Non-Competitive	842,655	62.03	125,779	79.34	3,630	55.47	972,064	63.80
	Subtotal	1,358,572	100.00	158,524	100.00	6,544	100.00	1,523,640	100.00
	Proportion							98.69%	
Contracts	Competitive	4,390	67.97	6,831	60.29	1,802	72.22	13,023	64.20
\$25,000	ACANs	1,663	25.75	1,874	16.54	69	2.77	3,606	17.78
and Above	Non-Competitive	406	6.29	2,625	23.17	624	25.01	3,655	18.02
	Subtotal	6,459	100.00	11,330	100.00	2,495	100.00	20,284	100.00
	Proportion							1.31%	
All	Competitive	519,953	38.09	39,387	23.19	4,681	51.79	564,021	36.53
Contracts	ACANs	2,017	0.15	2,063	1.21	104	1.15	4,184	0.27
	Non-Competitive	843,061	61.76	128,404	75.60	4,254	47.06	975,719	63.20
Total		1,365,031	100.00	169,854	100.00	9,039	100.00	1,543,924	100.00
Proportions		88.41%		11.00%		0.59%		100.0%	

Note 1: The data include acquisition card transactions.

We have consolidated the figures and changed the format from the Report on the Internet. It does not reflect the revision that incorporates 63 contracts below \$25,000 and 100 contracts valued at \$25,000 and above.

Source: Excerpt from 1998 Annual Contracting Activity Report.

Appendix A (cont'd)
1998 Annual Contracting Activity Report

Department and Agency	Below \$25,000		Contracts \$25,000 and above										Above \$25,000 and below					
	Sub-total		Electronic Bidding		Trad. Competitive		ACANs		Competitive		Non-Competitive		Sub-total		% Comp.		Grand Total	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	(000)	#	\$ (000)	#	(000)	#	(000)
Agriculture and Agri-Food Canada	50,960	27,351	156	43,372	80	20,865	92	16,822	328	81,059	102	6,131	430	87,190	76.3%	93.0%	51,390	114,541
Atlantic Canada Opportunity Agency	2,707	4,264	47	4,406	16	1,304	3	487	66	6,197	5	161	71	6,358	93%	97%	2,778	10,622
Atomic Energy Control Board	399	3,055	7	521	3	208	16	2,264	26	2,993	24	1,114	50	4,107	52%	73%	449	7,162
Auditor General	1,682	5,398	1	482	3	162	0	0	4	644	24	997	28	1,641	14%	39%	1,710	7,039
Canada Information Office	1,216	2,928	1	1,070	20	5,051	0	0	21	6,121	15	785	36	6,906	58%	89%	1,252	9,834
Canada Labour Relations Board	0	0	1	25	0	0	0	0	1	25	0	0	1	25	100%	100%	1	25
Canadian Centre for Management Development	679	1,954	0	0	15	1,059	0	0	15	1,059	7	269	22	1,328	68%	80%	701	3,282
Canadian Centre for Occupational Health & Safety	78	139	2	217	0	0	0	0	2	217	2	3,170	4	3,387	50%	6%	82	3,526
Canadian Food Inspection Agency	25,791	8,399	8	1,137	18	1,714	10	1,295	36	4,146	28	1,343	64	5,489	56%	76%	25,855	13,888
Canadian Heritage	42,121	43,660	136	38,944	143	18,605	29	2,522	308	60,071	79	4,497	387	64,568	80%	93%	42,508	108,228
Canadian Human Rights Commission	1,542	2,165	2	100	3	277	0	0	5	377	0	0	5	377	100%	100%	1,547	2,542
Canadian Intergovernmental Conference Secretariat	1	20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	20
Canadian International Development Agency	5,477	8,195	278	176,959	86	31,135	54	23,152	418	231,246	60	14,249	478	245,495	87%	94%	5,955	253,690
Canadian International Trade Tribunal	803	1,233	4	490	3	544	0	0	7	1,034	3	95	10	1,129	70%	92%	813	2,362
Canadian Radio-Television & Telecommunications Council	853	1,620	1	220	3	196	0	0	4	416	3	180	7	596	57%	70%	860	2,216
Canadian Space Agency	2,703	7,467	47	226,701	44	18,796	116	41,750	207	287,247	37	9,881	244	297,128	85%	97%	2,947	304,595
Canadian Transportation Agency	892	887	0	0	1	35	0	0	1	35	0	0	1	35	100%	100%	893	922
Citizenship and Immigration	6,256	7,708	58	28,890	20	25,303	19	5,633	97	59,826	10	3,209	107	63,035	91%	95%	6,363	70,743
Civil Aviation Tribunal	273	142	0	0	0	0	0	0	0	0	0	0	0	0	0	0	273	142
Commissioner for Federal Judicial Affairs	310	547	0	0	1	45	0	0	1	45	11	703	12	748	8%	6%	322	1,295
Commissioner of Official Languages	401	838	0	0	0	0	0	0	0	0	1	55	1	55	0%	0%	402	893
Competition Tribunal	178	37	0	0	0	0	0	0	0	0	1	100	1	100	0%	0%	179	137
Correctional Service Canada	113,154	112,948	519	91,479	385	67,033	239	105,274	1,143	263,786	271	33,995	1,414	297,781	81%	89%	114,568	410,729
Emergency Preparedness Canada	7	103	4	200	0	313	0	0	4	513	1	37	5	550	80%	93%	12	653
Environment Canada	40,974	29,577	318	40,684	38	14,605	139	19,057	495	74,346	178	8,209	673	82,555	74%	90%	41,647	112,132
Federal Court of Canada	1,108	1,590	1	30	0	259	1	169	2	458	10	433	12	891	17%	51%	1,120	2,481
Federal Office of Regional Development (Quebec)	660	1,910	18	1,725	1	839	2	118	21	2,682	5	269	26	2,951	81%	91%	686	4,861
Finance	4,461	4,527	10	5,753	7	1,006	12	1,421	29	8,180	15	1,441	44	9,621	66%	85%	4,505	14,148
Fisheries & Oceans	207,801	144,878	376	62,412	847	134,587	186	23,287	1,409	220,286	260	20,015	1,669	240,301	84%	92%	209,470	385,179
Foreign Affairs and International Trade	10,389	24,963	54	30,095	91	36,398	63	14,034	208	80,527	104	6,435	312	86,962	67%	93%	10,701	111,925
Hazardous Materials Information Review Commission	112	18	0	0	0	0	0	0	0	0	0	0	0	0	0	0	112	18
Health Canada	70,456	55,128	99	14,726	61	12,318	196	25,143	356	52,187	258	18,323	614	70,510	58%	74%	71,070	125,638
Human Resources Development Canada	62,661	58,799	68	15,427	76	55,251	160	47,083	304	117,761	108	8,348	412	126,109	74%	93%	63,073	184,908
Immigration and Refugee Board	1,088	3,518	1	146	7	769	0	0	8	915	0	0	8	915	100%	100%	1,096	4,433
Indian & Northern Affairs Canada	26,472	35,494	127	60,620	122	28,785	41	9,701	290	99,106	134	22,750	424	121,856	68%	81%	26,896	157,350

Treasury Board Secretariat – The Government’s Annual Contracting Activity Report – 1998

Appendix A (cont’d)

Department and Agency	Below \$25,000		Contracts \$25,000 and above										Above \$25,000 and below					
	Sub-total		Electronic Bidding		Trad. Competitive		ACANs		Competitive		Non-Competitive		Sub-total		% Comp.		Grand Total	
	#	\$ (000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#	(000)	#	\$(000)	#	(000)	#	(000)
Industry Canada	33,089	63,612	74	32,681	445	27,714	138	23,348	657	83,743	270	12,254	927	95,997	71%	87%	34,016	159,609
Justice	6,816	11,856	47	19,349	29	4,609	44	5,123	120	29,081	63	3,651	183	32,732	66%	89%	6,999	44,588
Medical Research Council	471	809	0	0	9	939	0	0	9	939	10	1,000	19	1,939	47%	48%	490	2,748
Natural Sciences & Engineering Research Council	1,394	1,155	1	143	12	742	0	0	13	885	0	0	13	885	100%	100%	1,407	2,040
National Archives	6,947	6,204	10	1,290	2	493	7	630	19	2,413	7	297	26	2,710	73%	89%	6,973	8,914
National Defence	334,210	212,896	2,137	1,217,055	808	812,503	939	1,154,138	3,884	3,183,696	359	3,601,880	4,243	6,785,576	92%	47%	338,453	6,998,472
National Energy Board	579	1,354	4	395	14	1,470	6	1,211	24	3,076	1	-93	25	2,983	96%	103%	604	4,337
National Film Board	1,377	373	6	1,067	2	114	1	116	9	1,297	0	0	9	1,297	100%	100%	1,386	1,670
National Library of Canada	2,141	2,279	2	1,000	0	0	6	684	8	1,684	0	-22	8	1,662	100%	101%	2,149	3,941
National Parole Board	987	484	1	170	2	56	0	0	3	226	0	0	3	226	100%	100%	990	710
National Research Council	39,308	51,519	118	30,194	71	14,592	167	21,430	356	66,216	67	3,967	423	70,183	84%	94%	39,731	121,702
Natural Resources Canada	77,254	84,980	169	25,537	93	15,184	200	19,223	462	59,944	68	4,149	530	64,093	87%	94%	77,784	149,073
Office of the Chief Electoral Officer	574	188	4	719	8	5,709	3	2,930	15	9,358	0	354	15	9,712	100%	96%	589	9,900
Office of the Superintendent of Financial Institutions	1,081	2,054	0	0	6	7,813	0	0	6	7,813	14	886	20	8,699	30%	90%	1,101	10,753
Patented Medicine Prices Review Board	328	323	1	131	1	54	0	0	2	185	0	0	2	185	100%	100%	330	508
Privacy Commissioner of Canada	634	930	0	0	1	26	0	0	1	26	1	50	2	76	50%	34%	636	1,006
Privy Council Office	1,760	3,894	8	4,147	9	4,228	4	281	21	8,656	8	462	29	9,118	72%	95%	1,789	13,012
Public Service Commission	6,065	9,042	43	2,541	58	4,054	5	380	106	6,975	37	1,054	143	8,029	74%	87%	6,208	17,071
Public Works and Government Services Canada	114,017	171,969	1,442	947,817	1,177	1,072,396	292	117,910	2,911	2,138,123	697	215,808	3,608	2,353,931	81%	91%	117,625	2,525,900
RCMP Public Complaints Commission	767	936	0	0	12	765	1	35	13	800	0	0	13	800	100%	100%	780	1,736
Revenue Canada	76,138	62,497	188	99,293	573	73,044	133	35,937	894	208,274	75	12,188	969	220,462	92%	94%	77,107	282,959
Royal Canadian Mounted Police	50,647	28,023	190	44,370	191	23,262	110	33,733	491	101,365	118	13,104	609	114,469	81%	89%	51,256	142,492
Social Sciences & Humanities Research Council	176	499	0	0	6	313	0	0	6	313	0	0	6	313	100%	100%	182	812
Solicitor General Canada	729	2,057	1	43	9	715	3	116	13	874	2	131	15	1,005	87%	87%	744	3,062
Statistics Canada	15,310	20,255	69	5,978	19	4,312	49	4,050	137	14,340	11	589	148	14,929	93%	96%	15,458	35,184
Status of Women	166	723	0	0	18	1,171	0	0	18	1,171	0	21	18	1,192	100%	98%	184	1,915
Supreme Court of Canada	1,012	664	1	76	1	66	0	0	2	142	2	68	4	210	50%	68%	1,016	874
Tax Court of Canada	346	72	0	0	0	0	0	0	0	0	0	0	0	0	0	0	346	72
Transport Canada	44,930	43,672	229	55,419	106	30,950	78	16,339	413	102,708	54	4,934	467	107,642	88%	95%	45,397	151,314
Transportation Safety Board	3,453	1,523	2	78	14	2,274	4	5,266	20	7,618	3	760	23	8,378	87%	91%	3,476	9,901
Treasury Board	5,054	4,602	3	207,363	33	5,417	5	273	41	213,053	12	988	53	214,041	77%	100%	5,107	218,643
Veterans Affairs Canada	8,563	11,005	71	14,414	23	14,296	32	30,827	126	59,537	16	810	142	60,347	89%	99%	8,705	71,352
Western Economic Diversification	2,652	4,225	3	248	9	774	1	231	13	1,253	4	276	17	1,529	76%	82%	2,669	5,754
Total	1,523,640	1,408,134	7,168	3,558,349	5,855	2,607,517	3,606	1,813,423	16,629	7,979,289	3,655	4,046,760	20,284	12,026,049	82%	66%	1,543,924	13,434,183

The Auditor General’s power to enter into contracts for professional services is not subject to the Government Contracts Regulations (GCR) but rather to subsection 15(2) of the *Auditor General Act*. The Auditor General’s Policy on Contract for Professional Services requires that contracts where the fees are greater than \$25,000 be let on a competitive basis except for those that meet one of the criteria for exemption. Seventeen of the 24 contracts reported above had fees valued at below \$25,000.

Note: Totals might not add due to rounding.

Source: Excerpt from 1998 Annual Contracting Activity Report.

Appendix B

Government Policy on Contracting

“The objective of government contracting is to acquire goods and services and to carry out construction in a manner that enhances access, competition and fairness and results in best value or, if appropriate, the optimal balance of overall benefits to the Crown and the Canadian people.

Government contracting shall be conducted in a manner that will:

- (a) 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;
- (b) ensure the pre-eminence of operational requirements;
- (c) support long-term industrial and regional development and other appropriate national objectives, including Aboriginal economic development;
- (d) comply with the government’s obligations under the North American Free Trade Agreement, the World Trade Organization Agreement on Government Procurement and the Agreement on Internal Trade.”

Source: Treasury Board of Canada Secretariat – Contracting Policy Manual