

## Audit of WD Contracting Standards

### Summary of Contracting Audit Findings and Management Responses – March 2004

DESCRIPTION	OBSERVATION	RECOMMENDATION(S)	MANAGEMENT RESPONSE
Delegated Financial Authorities	Delegation of Financial Authorities last approved in 1997. Treasury Board (TB) policy requires review and update of all delegated authorities at least annually	Present an appropriate Delegation of Financial Authorities document to the Deputy Minister and Minister for their approval at the earliest opportunity	Revised and Approved Delegation Chart issued March 08, 2004  <b>ACTION BY:</b> Director General, Finance
Contract Review Committee (CRC)	Contract Review Committee under the chair of Assistant Deputy Minister Ottawa established by DM and Executive Committee – considered a best practice.	Seek clarification regarding Treasury Board requirement that Chairperson be Senior Financial Officer and recommended membership.	Contract Review Committee composed of Assistant Deputy Minister - Ottawa, Director General Finance and Director General Corporate Services  <b>ACTION BY:</b> Deputy Minister and Executive Committee
Contract Review Committee (CRC) Mandate and Reporting to Executive Committee	Terms of Reference of CRC not substantiated through risk assessment of contracting activity of WD or a review of the contracting process	<ul style="list-style-type: none"> <li>Identify CRC Analyst to provide necessary analysis and support for CRC.</li> <li>CRC provide regular reporting to Executive Committee.</li> <li>Risk assessment of contracting activities be undertaken for review by CRC &amp; Executive Committee.</li> </ul>	<p>Director, Corporate Administration reviews all non-competitive contract proposals, submits recommendations to CRC and maintains a log for reporting to Executive Committee.</p> <p>The CRC will implement a Risk-based approach to reviewing contracts and report to Exec. Comm.</p> <p>An Audit and Evaluation Branch currently conducting departmental risk assessment.</p> <p><b>ACTION BY:</b> Director General Corporate Services</p>

Communication of Contract Review Committee (CRC) Terms of Reference and availability of contracting advice	<p>Many staff unaware of CRC Terms of Reference</p> <p>More authoritative information on contracting process needed to be available to employees</p>	<ul style="list-style-type: none"> <li>• Establish “contracting and procurement” section on WD Intranet site</li> <li>• Annual working session for Contract Administrators to share best practices and be apprised of current contracting issues</li> </ul>	<p>Contracting Section is available on WD Intranet site but requires updating. Will be updated by June 1, 2004</p> <p><b>ACTION BY:</b> Director General Corporate Services</p>
Training	<p>WD had contract administration training by Training and Development Canada (TDC) in 2002 but auditors unable to assess whether training was suitable or provided to the appropriate individuals</p>	<ul style="list-style-type: none"> <li>• Provide training to all involved in the contracting process in a timely manner.</li> <li>• Consider applying limitations on the exercise of contracting authority until training has been received.</li> </ul>	<p>Contracting course targeted to Contracting Authorities, contract review officers and all management and staff involved in contracting process. Course materials provided to all enrolled. Delegations will be monitored and restrictions imposed as required.</p> <p><b>ACTION BY:</b> Director General Corporate Services</p>
Follow Up on Previous Internal Audit Reports	<p>Treasury Board (TB) policy requires that Deputy Heads ensure that monitoring systems are established in order that management action plans responding to internal audit observations are successfully implemented.</p>	<p>Ensure that a monitoring system is established to verify successful implementation of management action plans from audit observations. The action plan should include recommendations related to the 1997 internal audit.</p>	<p>Recommendations have been implemented.</p> <p>WD Audit and Evaluation will implement a systems follow-up review of management responses and actions within 18 months.</p> <p><b>ACTION BY:</b> Director General Corporate Services</p>
Integrate contracting plans within departmental priorities and planning framework	<p>Planning for future contractor assistance should be integrated within the departmental planning process to facilitate the achievement of program objectives and goals.</p>	<p>Establish and communicate service standards for the department for various contracting options as well as the roles and responsibilities of clients and service providers.</p> <p>CRC to be provided with a copy of document</p>	<p>Recommendations have been accepted</p> <p>Will be done by June 1, 2004.</p> <p>Will be posted in “manager’s Handbook which will be finalized by the Fall of 2004.</p> <p><b>ACTION BY:</b> Director General Corporate Services</p>

<p>Standing Offers/Supply Arrangements</p>	<p>Standing Offer is an offer from a supplier to provide goods and/or services at prearranged prices under set terms and conditions.</p> <p>Supply Arrangement is an agreement between PWGSC and suppliers to provide a range of biddable goods or services when needed by departments</p>	<p>Review WD's contracting activity for a suitable period to determine if there are patterns that suggest that there are opportunities for establishing supply arrangements or standing offers.</p>	<p>A supply arrangement has been established for Audit and Evaluation Branch and Corporate Policy Directorate – considered a “best practice”.</p> <p>Director Administration will review contracting logs to identify trends and opportunities. A report will be provided to the CRC by Fall 2004.</p> <p><b>ACTION BY:</b> Contract Review Committee</p>
<p>Contract Splitting</p>	<p>Contract or contract amendments must not be split to avoid Treasury Board (TB) Contracting Regulation. This review indicates that a certain level of contract splitting may be taking place.</p>	<p>Under the direction of the CRC the Director, Administration shall review all contracts to ensure department meets the spirit and intent of this TB Contract Regulation with respect to contract splitting.</p>	<p>Regional Managers Finance and Corporate Services will be instructed to follow TBS Guidelines and to avoid contract splitting.</p> <p><b>ACTION BY:</b> Director General Corporate Services</p>
<p>Controlling/Monitoring the Contract Review Process</p>	<p>Each region keeps its own contracting spreadsheet because GX does not have that functionality.</p> <p>Administration Officers use spreadsheet to record contracting data required for ATIP, annual Central Agency and adhoc reports.</p> <p>Spreadsheets differ by region.</p>	<p>CRC Analyst should receive all submissions to the CRC and communicate CRC decisions to the originating office.</p> <p>CRC Analyst should maintain a record of CRC decisions</p> <p>Audit &amp; Evaluation Branch should monitor to ensure CRC receives all contracts for review in its TOR and its decisions are implemented</p>	<p>Director, Administration reviews all contract proposals under CRC TOR and submits observations and recommendation to CRC. In turn the Director is responsible for communicating decisions and observations to Regional Contracting staff.</p> <p>A register is kept by Directorate to records contracts and track process and steps will be taken to ensure the records meet the review requirements of A&amp;E.</p> <p><b>ACTION BY:</b> Contract Review Committee</p>

Annual Purchasing Activity Report	The report is prepared by PWGSC based on information prepared and submitted by the Department. Information being used by Treasury Board (TB) and others may not be accurate.	Information contained in the Treasury Board Annual Purchasing Activity Report correctly reflects the situation at WD.	A spreadsheet incorporating all data required for Annual Procurement Report was developed and distributed to all WD Offices to use commencing C/Y 2004 for recording contracting data.  <b>ACTION BY:</b> Director General Corporate Services
Verbal Contracts	There were a number of contracts in which a contractor commenced work prior to official date of contract commencement. Such contracts are binding but risky.  Treasury Board (TB) Contracting Regulations requires that the terms and conditions of any contract issued be formulated in writing and authorized by an individual with appropriate authority.	Measures be taken to further encourage compliance with Contract Policy as well as approaches be taken with individuals for whom non-compliance becomes a concern	Recommendation has been accepted.  CRC Chair will issue a directive instructing contracting authorities to reframe from such behavior.  Training in 2002 specifically addressed the topic of “retro-active” contracting.  Director, Administration to monitor and report to the CRC. CRC will make the appropriate recommendations depending on the results.  <b>ACTION BY:</b> Director General Corporate Services
Access to Information and Privacy (ATIP) Requests	WD receives a number of ATIP requests for information on its contracts.  PWGSC publishes all Crown contracts on the website of Contracts Canada	Investigate options to make information on WD contracting activity available by listing all WD contracts on the Contracts Canada web site or on the Department’s own Intranet site.	WD will follow the lead of TB in posting all contracts in excess of \$10K  <b>ACTION BY:</b> Director General Corporate Services

<p>Employer-Employee Relationships</p>	<p>The existence of employer-employee relationships is determined through the application of a number of tests established by common law.</p> <p>WD has had a significant number of contracts with many of the characteristics associated with employer-employee relationships.</p>	<p>Potential employer-employee relationships should be identified and brought to the attention of the contract originators for necessary remedial action.</p>	<p>Recommendations has been accepted.</p> <p>Training in 2002 specifically addressed the topic of “employer-employee” criteria.</p> <p>Action taken to terminate contracts where employer/employee situation was deemed to exist and use term or casual hiring where needed.</p> <p>The Canadian Revenue Agency web page address that outlines the criteria for Employer/Employee situations has been distributed to all Regional Managers, Finance &amp; Corporate Services.</p> <p><b>ACTION BY:</b> Contract Review Committee</p>
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