

## Section 7E: Contract Award

### Forms of Contract Award

7E.500 (2003-12-12) Contract award may take place at any time following bid closing. The contract document will depend on the type of bid requested and received.

- (a) A "purchase order" will be issued when quotations are requested. This is normally placed by telephone and confirmed in writing.
- (b) A "Your Tender/Proposal is Accepted" document will be issued when tenders/proposals are requested and the accepted tender/proposal is received in writing. This type of document will be used only when the proposed contract reflects those terms and conditions proposed or agreed to in writing by the selected supplier. The document should make reference to the tender/proposal and any amendments to it.
- (c) A "You are Requested" document is issued when proposals are requested and the accepted proposal is received by telephone, or in any circumstances where the proposed contract may reflect a term or condition not agreed to in writing by the successful contractor. This type of document constitutes a counter-offer by Public Works and Government Services Canada (PWGSC), which must be accepted by the successful supplier.

*"You are Requested" documents, and in some cases purchase orders, are not contracts but only offers by PWGSC to potential contractors. Although a legal contract does not exist, such offers usually reflect the contracting officer's understanding of the terms and conditions which are agreeable to the successful contractor. If the successful contractor does not accept the PWGSC offer, or proposes modifications (see [7D.345](#)) to the contract, the matter should be referred to Legal Services.*

*Performance of the terms of a contract, in common law, constitutes acceptance of the offer by the contractor.*

A Call-up Against a Standing Offer, form PWGSC-TPSGC 942, which accepts a supplier's offer and becomes the contract, is the standard document for identified users to make call-ups against a standing offer. PWGSC-TPSGC 944 or 945 is used for call-ups against multiple standing offers.

- (d) For Supply Arrangements, see [Section 9J](#).

7E.501 (1994-06-23) Whatever the form of contract document, the contracting officer must ensure that a contract is with a supplier which has the legal capacity to contract, and that the supplier's full legal name is used.

*For example, a contract may not be entered into with a division of a corporation, unless the division is a separate legal entity. Computerized source lists may include an abbreviated name for a supplier.*

7E.503 (2001-12-10) Contracts awarded on the basis of the bid having met the definition of Canadian content under the Canadian Content Policy will include SACC Manual clause [K4100C](#).

## Qualified Suppliers

7E.507 (1994-06-23) Treasury Board (TB) Policy states that "firms considered qualified are those which have the technical, financial and managerial competence to discharge the contract. Contracting officers are responsible for verifying this information prior to entering into a contract."

7E.508 (2000-12-01) As part of the contract award process, the contracting officer will normally obtain an opinion about a successful contractor's capability to finance a requirement through to completion.

*If the selection of the supplier is in a fully competitive environment and the contract is for generally available commercial products or services, the risks of financial loss to the Crown are minimized because of the ability to find alternate sourcing. However, under any other circumstance, resourcing can be costly both in terms of performance delays and monetary risk (e.g. the possible risk inherent in advance and/or progress payments).*

*Assessing the financial capability of potential and existing suppliers is not normally required for:*

- *assistance contracts on behalf of Industry Canada (IC), (determination of a contractor's financial capability in these cases is the responsibility of IC);*
- *contracts with universities and colleges, Crown corporations, government departments and agencies;*
- *contracts for the services of individuals;*
- *contracts for generally available commercial products or services from suppliers selected by competition.*

7E.509 (1994-06-23) A financial analysis of a potential supplier may be warranted at the time of source listing.

7E.510 (1994-06-23) A financial review of a supplier can be initiated at any stage of the contracting process when considered necessary by the contracting officer. The contracting officer should arrange for ongoing financial capability analysis by a cost analyst during contract performance, when necessary.

When PWGSC must deal with a financially weak supplier, the risk to the Crown must be reduced as much as possible through contract financial security, based on recommendations by a cost analyst.

7E.511 (2000-12-01) For contracts requiring a director general's approval, a condition of exercising delegated authority is that the cost analyst and legal officer be given the opportunity to review the contractual documents and to provide comments. For contracts above a director general's approval level, these comments should be included as supporting data in Part 2, Section F of the Contract Request, form PWGSC-TPSGC 1151-2 (see [Annex 7.7](#)).

## Business Credit Services

7E.516 (2005-06-10) Business credit services companies provide both general credit ratings and comprehensive credit reports on individual firms. Their comprehensive reports generally include: simplified financial statements; details of maximum credit obtained from the firm;

promptness of payments made; banking information; firm's history and some information into the firm's operations.

Contracting officers are not to contact a business credit services company directly, but rather must send all requirements for business credit services to the Director of Cost and Forensic Accounting Directorate (CFAD).

7E.517 (2005-06-10) Business credit services reports are considered commercially confidential. The information is not to be disclosed outside the government, and is only disclosed within the government on a "need to know" basis.

*Copies of these reports are available for use only within PWGSC. The reports are retained by CFAD.*

### **Accounts of Contractors - Assessment of Adequacy**

7E.521 (2005-06-10) An examination of the adequacy of a contractor's accounts is to be performed by Consulting and Audit Canada or other qualified personnel, as approved by the Director of CFAD, if one or more of the following conditions apply:

- (a) The Contractor has been selected for the first time for the award of a cost reimbursable type contract. This does not apply to assistance-type agreements on behalf of Industry Canada for the acquisition of equipment.
- (b) The contractor has been selected for the first time for the award of a competitive or negotiated fixed time rate contract with a value of \$100,000 or over, including multiple bases of payments involving \$100,000 fixed time rate value.
- (c) The contractor has been selected for the first time for a negotiated firm price contract valued at over \$500,000, or the cumulative value of the negotiated firm price contracts awarded to a new contractor during a government fiscal year exceeds \$500,000.
- (d) The contract is placed on behalf of the Canadian Commercial Corporation and is awarded to a new contractor for any of the following types, regardless of value:
  - (i) cost reimbursable;
  - (ii) negotiated firm price with progress payments;
  - (iii) fixed time rate.
- (e) The contractor's cost accounting system has changed, or is likely to change for any reason, e.g. a major corporate reorganization, new owners, or major changes in the production process or product mix.

7E.522 (1994-06-23) Assessments should be performed before awarding a contract to a new supplier. They should be requested at the same time as a request is made, if required, for a general assessment of the company's facilities. Otherwise, the examination should be performed as soon as possible after contract award, generally within two (2) months after the date of contract.

7E.523 (1994-06-23) If the examining authority finds inadequate records, the contracting officer should advise the contractor of the deficiencies or inadequacies and obtain a commitment to an agreed plan of corrective action.

When the contractor refuses to do so, or fails to meet commitments, the sector/region will decide on the appropriate course of action to follow.

Among the various options are:

- (a) *withholding future contract awards;*
- (b) *negotiate special terms and conditions after taking into account the known deficiencies, e.g., negotiation of a larger holdback on progress claims, negotiation of a firm pricing basis to replace a proposed cost reimbursable basis for which adequate substantiation of costs would not be available; or*
- (c) *fully or partially terminate the contract for breach of contractual provisions relating to maintenance of proper accounts and records.*

7E.524 (2005-06-10) The contracting officer must advise the Director of CFAD of the assessment results and any options exercised.

### **Statement of Cost Accounting Practices**

7E.528 (2005-06-10) CFAD has a comprehensive program to ensure that contractors' cost accounting practices comply with the Contract Cost Principles [1031-2](#) and related Cost Interpretation Bulletins.

Contracting officers should inform Cost, Policy and Financial Review Division (CPFRD) within CFAD when a Contractor or subcontractor has negotiated contracts with Canada and meets the following criteria:

- (a) the supplier's divisions/entities previous fiscal year and/or current fiscal year forecasted negotiated Canada business volume exceeds \$5 million, or
- (b) the supplier's divisions/entities previous fiscal year and/or current fiscal year forecasted negotiated Canada business volume exceeds \$2 million, and represents more than half of that division's/entities total business volume.

The Statement of Cost Accounting Practices (SCAP) is a form used as a management representation that describes the cost accounting practices of a supplier. CPFRD will determine whether the supplier must complete a SCAP.

### **Verifying Compliance that Personnel and an Organization's Security Status meet Security Requirements**

7E.534 (2005-06-10) If the proposed contract contains personnel, information technology and/or physical security requirements, **before** it is awarded, a copy of the appropriate contractual documentation must have been forwarded to the Canadian and International Industrial Security Directorate for verification that all necessary security measures have been addressed. (See [3.009](#) and [6C.270](#).)

### **Finalizing Elements of the Contract**

#### **Contract Security**

7E.547 (1994-06-23) If contract security is obtained, it is to be held until the terms of the security are fulfilled, including termination that is not due to a fault of the contractor.

7E.550 (1994-06-23) Surety bonds furnished by contractors must be examined by the contracting officer, with advice from Legal Services as necessary, to ensure that they are correct in all respects, including: the contractor's legal name and address; the date of the contract; the contract serial number; the affixing of the seals of the contractor and the surety company; and the description of the "Obligee", which is "Her Majesty the Queen in right of Canada". Surety bonds requiring correction are returned to the contractor and not to the surety company.

7E.551 (1994-06-23) Security deposits in the form of government guaranteed bonds with coupons attached shall not be accepted unless all coupons that are unexpired at the time the security deposit is provided are attached to the bonds.

7E.552 (1994-06-23) The contracting officer must request written instructions from the contractor concerning the action to be taken with respect to any coupons attached to the bonds that will mature while the bond is pledged as security, and must forward the instructions to the Financial Services Division, Financial Operations Directorate.

7E.553 (1997-09-15) Letters of credit furnished by contractors must be examined by the contracting officer, with advice from Legal Services as necessary, to ensure that they are correct in all respects, including:

- (a) the face amount which may be drawn against it;
- (b) its expiry date;
- (c) provision for sight payment to the Receiver General for Canada by way of the financial institutions's draft against presentation of a written demand for payment signed by the authorized departmental representative identified in the letter of credit by their office;
- (d) provision that more than one written demand for payment may be presented subject to the sum of those demands not exceeding the face amount of the Letter of Credit;
- (e) provision that it is subject to the International Chamber of Commerce (ICC) Uniform Customs and Practice for Documentary Credits, 1993 Revision, ICC Publication No. 500;
- (f) clear specification that it is irrevocable or deemed to be irrevocable pursuant to article 6c) of the International Chamber of Commerce (ICC) Uniform Customs and Practice for Documentary Credits, 1993 Revision, ICC Publication No. 500;
- (g) that it has been issued or confirmed, in either official language, by a financial institution which is a member of the Canadian Payments Association and shall be on the letterhead of the Issuer or Confirmer. The format is left to the discretion of the Issuer or Confirmer.

### Transportation Instructions

7E.556 (1998-11-23) For requirements other than those for food and bulk fertilizer for external aid, and where delivery points are known, when a contract is awarded on the basis of Free on Board (FOB) origin, the following applicable standard clauses should be included in the contract:

- (a) for material to be shipped from a point in Canada: *Standard Acquisition Clauses and Conditions* (SACC) Manual clause [C5200C](#). Obtain shipping instructions from Traffic Management Directorate (TMD) and insert as fill-in.
- (b) for material to be shipped from a point in the United States: SACC Manual clause [D6000D](#). When requests for routing instructions are received from the supplier, refer such requests to TMD to obtain details of shipping instructions.

7E.557 (1998-11-23) For requirements other than those for food and bulk fertilizer for external aid, and where delivery points are not known, when a contract is awarded on the basis of FOB origin, the following applicable standard clauses should be included in the contract:

- (a) for material to be shipped from a point in Canada: SACC Manual clauses [C5201C](#) and [D6000D](#).
- (b) for material to be shipped from a point in the United States: SACC Manual clause [D6000D](#).

### Insufficient Funds on Requisitions

7E.561 (1994-06-23) Bid assessment may reveal that the costs of a requirement will exceed the funds provided in a requisition.

7E.562 (2002-12-13) If the client has not constrained the cost, PWGSC may make commitments in excess of the estimated funds shown on the requisition excluding the Goods and Services Tax (GST), and/or the Harmonized Sales Tax (HST) as applicable, within the following limits, without referral to the client:

- (a) if the estimated amount of the requisition is \$1,000 or less, contracts may be awarded involving an expenditure of up to 100 percent in excess of the amount of the requisition.
- (b) if the estimated amount of the requisition is over \$1,000 but does not exceed \$3,000, contracts may be awarded involving expenditures of up to 50 percent in excess of the amount of the requisition.
- (c) if the estimated amount of the requisition is over \$3,000 but does not exceed \$7,500, contracts may be awarded involving expenditures of up to 25 percent in excess of the amount of the requisition.
- (d) if the estimated amount of the requisition is over \$7,500, contracts may be awarded involving expenditures of up to 15 percent or \$50,000, whichever is less, in excess of the amount shown on the requisition.

These limits apply to original requisitions, not requisition amendments.

In case of Canadian Commercial Corporation financial authority forms CCC 747A and CCC 747AA, no commitment in excess of the estimated funds is permitted.

7E.563 (1994-06-23) Where the client has specified that the estimated cost is not to be exceeded, the contracting officer will notify the client of the extra cost involved. If the client indicates that the cost is acceptable, and provided it does not exceed PWGSC allowable over commitments, the contracting officer will proceed with procurement action including award of a contract on written agreement from the client.

7E.564 (1999-12-13) For requirements where the total cost exceeds PWGSC allowable over commitments, the contracting officer must obtain written client agreement to proceed.

## Intellectual Property

7E.570 (2001-05-25) Unless there has been a change in the client department's Intellectual Property (IP) position from the bid solicitation, contracting officers must use, in the contract, the identical clauses used in the bid solicitation, with the exception of clause [K3200T](#) of the SACC Manual, which is needed only at the bid solicitation stage. (see [Annex 7.5](#)).

7E.571 (2001-05-25) Starting January 1, 2001, each department will have to maintain a record of all contracts valued over the threshold for solicitation of bids as set out in the *Government Contracts Regulations*. Each department will have to specify the contracts that are contractor-owned IP and that are Crown-owned IP and the exception(s) invoked (the same reason used in clause K3200T). The report will be rolled up with the Treasury Board report on contracting.

## Exchange Rate Adjustments

7E.574 (2004-05-14) Standard clauses setting out the options, payment terms and invoice procedures relating to exchange rate adjustments and other foreign currency considerations are detailed in the SACC Manual, [subsection 5-C](#). The method of payment and the exchange rate adjustment formula to be applied must be specified in the contract. Where the method of payment for the exchange rate adjustment is:

- (a) Payment on Delivery - the conversion factor is based on the date of importation. SACC Manual clause [C3015C](#) is used.

*The date of importation may be found on the Customs Import Entry Form which also shows the exchange rate applied by Canada Border Services Agency at point of entry into Canada.*

- (b) Milestone Payments - the conversion factor is either the date of importation, if the item in question has been imported into Canada, or the rate given by the Bank of Canada on the date the milestone becomes due and payable. SACC Manual clause [C3020C](#) is used.

*The term "due and payable" is either specified in the contract or is in accordance with the government's 30-day payment policy.*

- (c) Progress Payments - the conversion factor is the actual rate used, or "cost incurred" by the contractor when remitting payment to its foreign supplier or subcontractor. SACC Manual clause [C3030C](#) may be employed.

## Currency of Payment

7E.578 (1994-06-23) The Basis of Payment section of the contract must clearly state whether the price is payable in Canadian or foreign funds, or both and, where applicable, whether it is subject to an exchange rate adjustment.

7E.579 (1994-06-23) If bids provided a choice between payment in a foreign currency or in Canadian currency, but with an exchange rate adjustment provision, the contracting officer may select the payment method most advantageous to the Crown in the resulting contract.

7E.580 (1994-06-23) If any part of the contract price is payable in foreign funds, the estimated value in Canadian funds should be included in the Estimated Expenditure block on the front page of the contract.

### Unscheduled Contractor Overtime

7E.588 (1994-06-23) If unscheduled contractor overtime appears likely, the contracting officer must ensure that proper provisions concerning authorization, rates and dollar limits are included in the contract.

7E.589 (1994-06-23) The contracting officer should consult with the cost analyst to ascertain whether the contractor's cost system includes overtime premium costs in the overhead account or as a direct charge to the particular contract.

7E.590 (1994-06-23) The PWGSC contract approval authority may delegate authority to the client for approval of a specified number of overtime hours. Any such delegation should be precisely spelled out in the contract. If the delegation is exercised, the contracting officer should receive a copy of the authorization from the client for any applicable contract amendment action.

### Advance/Progress Payments

7E.594 (2005-06-10) Advance or progress payments must be specified in the contract, since under [section 34](#) of the *Financial Administration Act* a payment, before completion of the work, can only be made after certification by the client "that the price charged is according to the contract." The advance or progress payment must also be detailed in the Contract Request. Payments can only be made for goods or services received in the same fiscal year. Funds must be spent in the fiscal year for which they are appropriated and cannot be carried forward by means of advance payments. (See [6E.585](#).)

*NOTE: The requirement that payment be made only for goods or services received in the same fiscal year may require modification of the Method of Payment for requirements whose period of delivery or service spans fiscal years. Specifically, it may be necessary to provide for multiple payments, at the appropriate point in the contract period.*

7E.595 (1994-06-23) Advance payments in contracts must be specifically approved by the contract approval authority.

*For example, where Treasury Board (TB) approval is required for entry into a contract, the amounts and the times of the advance payments must be approved by TB (refer to [sections 8 and 9](#) of the *Government Contract Regulations*).*

7E.596 (1994-06-23) To protect the Crown's interests in the goods being procured in contracts involving progress or advance payments, contracting officers must include in the contract SACC Manual clause [H4500C](#) relating to liens under [section 427](#) of the *Bank Act*. (See [11.095](#).)

## Taxes and Duties

### Export Drawbacks

7E.602 (1994-06-23) Contracts for goods to be exported from Canada shall not contain any element representing refundable duties. The exporter is usually entitled to export drawbacks, i.e., the return of duties and/or taxes paid upon imported goods that are

subsequently exported from Canada. Special procedures apply to government contracts. The right to drawback accruing to the client or the agency (exporter) in connection with a transaction must be waived to the contractor. Therefore, the contract must contain SACC Manual clause [C2001C](#), which is the waiver of rights to drawbacks by the Canadian government acceptable to customs authorities.

### Goods and Services Tax and Harmonized Sales Tax

- 7E.606 (2003-12-12) The Goods and Services Tax or Harmonized Sales Tax (GST/HST) must be included in the price for the purposes of approval levels. The total estimated cost on the front page of the contract will include the amount of GST/HST estimated to be payable on the contract. The basis of payment in all contracts shall state that GST/HST is extra.
- 7E.607 (1998-02-16) Contracts must state whether the supplies provided are subject to GST/HST. Where items vary in GST/HST treatment, the contract must show which items are taxable, zero-rated or exempt. Contracts must state that the contractor will show separately on invoices, by item, any applicable GST/HST that applies.
- 7E.608 (1998-02-16) If a taxable supply is purchased from a non-resident GST/HST non-registrant, GST/HST should not be included in the contract. If the taxable good or service is purchased from a non-resident GST/HST registrant, GST/HST will be included in the contract and paid by the client to the contractor. In this case, invoices should include the contractor's GST/HST registration number.
- 7E.609 (2006-06-16) For all Department of National Defence (DND) contracts, GST/HST is to be reimbursed for non GST/HST registrants. DND will reimburse prime contractors only the actual GST/HST that is paid to the Canada Revenue Agency (CRA).

In DND contracts, the prime contractor cannot transfer the import responsibility to a subcontractor who is also a non-registrant. The prime contractor can, however, transfer the import responsibility to a GST registrant, but a drop-shipment process must then be implemented. DND would provide a drop-shipment certification to the GST registrant indicating that DND will self-assess the GST/HST. *This removes the requirement for the GST/HST registrant to invoice the prime contractor and eliminates the third party tax costs.*

- 7E.610 (2004-05-14) The CRA has special rules for software imported in a physical medium. It collects the GST/HST at the border on the declared value, including the value of the physical medium and the value of the software. An exception is where a registrant charges the software licence fee but has the software delivered to the recipient from outside Canada. In that case, the recipient pays the GST/HST, on the value of the software only, to that registrant. The importer must provide the CRA with proof that it will pay the GST/HST to the registrant. The CRA will still collect GST/HST on the value of the physical medium.

### Provincial Taxes

- 7E.613 (1994-06-23) All contracts issued by PWGSC on behalf of federal government departments must include a statement informing the contractor not to invoice PWGSC or collect any *ad valorem* sales tax levied under provincial general retail sales tax statutes. By quoting the provincial sales tax (PST) number or certificate on federal contracts, PWGSC indicates that PST is not to be collected by the contractor on the goods or services being supplied under the contract.

*This exemption cannot be used by the contractor to avoid paying provincial sales taxes on goods or services purchased, by the contractor, in order to fulfil the contract.*

**State Sales and Use Tax (United States of America)**

7E.617 (2002-12-13) Bid solicitations where there is a possibility that suppliers in the United States of America (U.S.A.) may be submitting bids and contracts placed with U.S. firms must specify that prices are not to include any State Sales or Use tax, from which exports are exempted, by including clause [C2000D](#) of the SACC Manual.

Since items exported from the U.S.A. are entitled to exemption from State Sales and Use Tax, the contracting officer shall obtain advice from Legal Services if the contractor insists that contract prices must include payment of state taxes. (See [6D.456](#).)

**State of California**

7E.621 (1994-06-23) Contracting officers must ensure that goods purchased in California are not taxed by clearly indicating in the contract that the goods are an export as defined under California law. (See [6D.457](#).)

7E.622 (1994-06-23) Contracting officers should obtain advice from Legal Services if the contract provides for progress or advance payments or if the supplies are to be left in the State of California for a period of time. The normal contract provisions would cause California Sales and Use Tax (Cal Tax) to be payable since title would pass to the Crown before delivery. Such contracts should provide that title will not pass to the Crown until the goods are delivered.

7E.623 (1994-06-23) When title is not taken by the Government of Canada until delivery, in order to obtain tax exemption as indicated above, the formal contract or purchase order with suppliers located in California must include:

- (a) in the Delivery and Consignment section, SACC Manual clause [D4003C](#);
- (b) in the Price or Basis of Payment section, SACC Manual clause [C2002C](#).

When progress or advance payments form part of the contract, contracting officers must add SACC Manual clause [K9010C](#), Passage of Title, which modifies the standard terms and conditions.

*When progress or advance payments are provided for in the contract, and the contract postpones taking title until delivery, the risk incurred by the Crown (such as heavy fire loss or bankruptcy of the contractor) should be covered by:*

- (a) *instructing the contractor to insure the materials, work-in-process and finished goods, with loss payable to the Crown as its interests may appear; and/or*
- (b) *obtaining a performance bond from the contractor.*

7E.624 (1994-06-23) Government-supplied materiel, spare parts, etc., purchased outside California and sent to a contractor in California for incorporation into an end product being purchased by PWGSC in California, are not subject to Cal Tax. The same items purchased in California and delivered to another contractor in California for incorporation into an end product being purchased by PWGSC, are subject to Cal Tax.

7E.625 (1994-06-23) Tooling and test equipment purchased by PWGSC outside California, furnished to a contractor in California and reshipped outside California, on completion of the contract (title having remained with PWGSC throughout), are not subject to Cal Tax.

However, if such tooling and test equipment are left in California, they will be subject to Cal Tax.

7E.626 (1994-06-23) Tooling and test equipment purchased by PWGSC in California and delivered to another PWGSC contractor in California are subject to Cal Tax. Tooling and test equipment purchased or manufactured by a contractor in California for use in a production contract which the same contractor is performing for PWGSC, and paid for by PWGSC as part of the cost of the work, are also subject to Cal Tax.

7E.627 (1994-06-23) On completion of the contract, if Canada is to take title to and possession of the tooling and test equipment, Legal Services must be consulted as to the procedure for not paying further tax.

*Tax exemption depends on what disposition Canada makes of the tooling and test equipment at that time. Unless the tooling and test equipment is to be shipped to Canada at the completion of the contract and before any further use in California, it is very likely that Cal Tax will be payable.*

7E.628 (1994-06-23) California Personal Property Tax is normally treated by the contractor in California as an indirect cost and charged to overhead. However, a California contractor may treat the Personal Property Tax on a Canadian contract as a direct charge, based on contracting and billing practices with the U.S. government. Contracting officers should check to ensure that no indirect charges are made to the contract in respect of such Personal Property Tax and that no overhead is applied to the direct charge.

## Treasury Board Approval

7E.635 (1994-06-23) If the proposed value of a contract exceeds the departmental approval level and has not previously received Treasury Board (TB) approval, the proposed award should be referred to the TB.

## Contract Requests and Contract Approvals

7E.636 (2005-12-16) For contracts not pre-approved through the Contract Planning and Advance Approval process, before accepting an offer from a bidder or requesting a potential contractor to carry out specific work, a Contract Request (form PWGSC-TPSGC 1151) for authority to enter into a contract must be prepared. The Contract Request must give an accurate description of the terms and conditions requiring approval and must reflect, and be supported by, data contained in the applicable files. Each Contract Request must identify and explain any proposed deviations from applicable policies and procedures. (See [6E.655](#).)

7E.637 (2005-12-16) Details of the proposed contract must be recorded clearly and briefly on the Contract Request. The signed Contract Request must be submitted for review to the Contract Quality Control (CQC) office of the appropriate sector/region. The Contract Request is to be supported by a copy of the proposed contract and the applicable files. After any CQC officer's concerns are dealt with, the Contract Request will be submitted for approval.

7E.638 (2005-12-16) The contracting officer is responsible for:

- (a) preparing the recommendation on the Contract Request form, and certifying the accuracy of all the information contained therein;

- (b) obtaining policy interpretations from the Policy and Process Directorate and opinions from departmental specialists (e.g. Legal Services) on the consequences of any proposed deviations from general conditions, policies and regulations;
- (c) obtaining the client's agreement for any deviations from specifications, standards and delivery requirements;
- (d) highlighting in the recommendation the facts surrounding any proposed deviations and their negative consequences to Canada;
- (e) including a full report on the reasons, the managerial responsibilities involved and corrective actions taken, when Treasury Board (TB) approval is being sought for work already commenced for whatever reason (retroactive approval) or for incidents of cost overruns; and
- (f) attaching the client's certification that the minister concerned has agreed to the commencement of work before receiving TB approval for entry into the contract, when retroactive approval is being requested.

7E.639 (2005-12-16) The CQC officer is responsible for reviewing the accuracy and adequacy of the Contract Request . The CQC officer provides observations on a "Comments Sheet" to the contracting officer.

7E.640 (2005-12-16) The Acquisition Program Integrity Secretariat (APIS) must conduct a pre-award review of all proposed contracts above the Director General (DG) approval level.

7E.641 (2005-12-16) Regardless of value, recommendations involving deviations from government contracting policies must be submitted to APIS for review. After considering the advice of the Director, APIS, the DG will recommend the Contract Request to the Assistant Deputy Minister, Acquisitions Branch, for approval.

7E.642 (1994-06-23) The sector's legal counsel shall review all Deputy Minister (DM), Minister and TB submissions and provide a legal risk assessment.

7E.643 (1994-06-23) For proposed contracts requiring TB approval, the Contract Request is to include a statement that the client project manager's certification of agreement with the submission has been obtained. Certifications should not be attached to the submission. When certifications cannot be obtained, this must be noted.

7E.644 (2004-05-14) Contracting officers are to prepare the Contract Request as outlined in [Annex 7.7](#).

*It is a good practice for contracting officers to obtain a copy of the most recently approved Contract Request in their area to make sure they have all the latest policies and procedures adequately covered.*

7E.645 (1994-06-23) For information pertaining to a Contract Amendment Request, see [11.040](#) and [Annex 11.1](#).

7E.646 (1994-06-23) The first page of all TB submissions and any accompanying documents shall be stamped "Protected" indicating whether it is level A, B or C. All submissions to TB shall be prepared in both official languages, presented side by side.

*When translation services are required for a technical or specialized document, it is helpful to send the translators a copy of an early draft so that any required terminology research may commence in order to expedite translation.*

## Letter of Intent

7E.652 (1994-06-23) When the timely delivery of goods or services would be jeopardized by lengthy negotiations, a Letter of Intent authorizes commencement of the work before the contract is issued. It is a binding commitment to place a contract with a designated supplier.

A Letter of Intent is issued subsequent to approval of those terms and conditions which have been already agreed to, but before obtaining approval of all appropriate terms and conditions of the proposed contract.

Letters of Intent must be prepared by Legal Services with the cooperation of the contracting officer.

7E.653 (1994-06-23) Letters of Intent shall be used only in exceptional circumstances, and shall not be issued without prior approval of the DM.

No contractual commitment shall be made which constitutes the first step of a project that may require subsequent TB approval.

7E.654 (1994-06-23) The Letter of Intent shall accurately describe the work authorized, state the maximum liability of the Crown, expressed as funds to be spent by the contractor, and specify how payment will be made. The contract serial number that will be assigned to the subsequent contract is incorporated in the Letter.

7E.655 (1994-06-23) A proposal to issue a Letter of Intent, together with a copy of the Letter, shall be presented to the Departmental Executive Committee before it is submitted to the DM for approval.

7E.656 (1994-06-23) After approval is received, the original of the Letter will be signed by the appropriate contract signing authority and distributed in the same manner as contracts.

7E.657 (1994-06-23) On completion of negotiations for all appropriate terms and conditions of the proposed contract, the pre-award contract submissions will be submitted for review and approval at the appropriate level.

## Go-Ahead Letters

7E.663 (1994-06-23) Go-ahead Letters may be issued after obtaining final approval of the contract submission, provided all appropriate terms and conditions of the proposed contract are known and acceptable to the potential contractor. Go-ahead Letters are subject to the appropriate signing authorities.