



Final Report - Internet Version
Review of the Internal Control Framework for MERX
2001-06-27

Project 2000-641



Public Works and
Government Services
Canada

Audit and Review

Travaux publics et
Services gouvernementaux
Canada

Vérification et Examen

Canada

Review of the Internal Control Framework for MERX
Final Report - Internet Version

Table of Contents

Executive Summary	1
1 Introduction	5
1.1 Authority for the Project	5
1.2 Objectives	5
1.3 Scope and Issues Examined	5
1.4 Background	6
2 Profile of the Entity	7
3 Findings, Conclusions and Recommendations	11
3.1 Findings	11
3.1.1 Control Framework	11
3.1.2 Planning, Monitoring, Reporting and Compliance	13
3.1.3 Risk Management	14
3.1.4 Functional Requirements	14
3.2 Conclusions	15
3.3 Recommendations	16
4 Action Plan	17

Executive Summary

Authority for the Project

This review was included as part of the 2000-2001 Audit and Review Plan approved by the Audit and Review Committee.

Objectives

To assess the adequacy of the Supply Operations Service Branch (SOSB) internal control framework and performance management framework for MERX.

Scope

This report documents the results of the Preliminary Survey, in which the Audit and Review Branch (ARB) review team gained an understanding of the review entity, processes and key issues through interviews and document review. Considered and included in the scope of the Preliminary Survey were the following controls and processes:

- controls ensuring accuracy, completeness, authenticity and timeliness of Public Works and Government Services Canada (PWGSC) data/information delivered through MERX;
- planning, monitoring, reporting and corrective mechanisms including those mechanisms measuring MERX system/contractor performance, user feedback, as well as those measuring achievement of stated performance objectives/standards;
- risk management mechanisms related to the delivery of procurement information through MERX;
- compliance with related policies, procedures, agreements and regulations; and,
- determination if the PWGSC Government Electronic Tendering System (GETS) functional requirements are adequately and currently described.

The Preliminary Survey included the analysis of relevant documentation and over 20 interviews with the SOSB, the Government Telecommunications and Informatics Services (GTIS) Branch as well as Cebra Inc. MERX management. MERX subscribers and other MERX clients were not consulted as part of this Audit and Review Branch project. In accordance with the scope originally outlined in the Terms of Reference, the work neither assessed the Automated Buyer Environment (ABE), nor the PWGSC bid solicitation/contracting processes, nor PWGSC planning and preparedness in regard to the expiration of the contract with the current GETS service provider (Cebra Inc.) other than in regard to the PWGSC electronic tendering functional

¹ This project was conducted under the guidelines of the previous Treasury Board Review and Internal Audit Policy which was in effect up to March 31, 2001.

2000-641 Review of the Internal Control Framework for MERX
Final Report - Internet Version

requirements. The testing of specific control processes was not conducted as part of the Preliminary Survey.

Key Findings

Interviews and the review of documented procedures indicated there are control processes, operating in both the PWGSC and MERX domains, designed to facilitate complete, accurate and timely notice publishing as well as associated bid document transmission from PWGSC through MERX and on to ordering subscribers.

The description of the roles and responsibilities related to the management of electronic bid solicitation in PWGSC were not all completely clear due to several organizational changes in the SOSB during 2000.

The SOSB did not have a formal, comprehensive, planning document for 2000-2001 which clearly identified the objectives, activities, responsibilities and timelines related to the operational and system management of the MERX service, however, there were several management documents used by SOSB, collectively, to plan for MERX operations and systems.

With respect to monitoring, the Director, Supply Systems Directorate (SSD), as the Project Authority designated in the MERX contract, is responsible for monitoring MERX performance in regard to contracted service standards and compliance to specified functions. SSD staff access the MERX system on a regular basis to monitor system performance from both a subscriber and procurement officer perspective. The SSD monitoring also utilizes MERX provided reports and other sources of information such as Contracts Canada. This monitoring does not use a formal guide based on the service standards documented in Appendix A - Section 6 of the MERX contract to structure and document the exercise, however, there are indicators that the MERX service is functioning in an effective and stable manner including relatively few complaints regarding MERX service received by Contracts Canada. In addition, Cebra Inc. conducted a MERX online subscriber survey in the fall of 2000 which provided generally positive indications regarding MERX service.

Procurement officers assisted by SOSB procurement systems are ultimately responsible to ensure that notices and bid solicitation documents distributed through MERX comply with trade agreements. Procurement officers are also responsible to ensure that notices are posted in both official languages. The MERX has systems based controls to ensure that opportunities covered under international trade agreements are not displayed electronically prior to publishing in the Government Business Opportunity (GBO) publication. Preliminary work indicated that compliance in this area has not been an issue.

The SOSB has taken steps to reduce and mitigate risk throughout the life of the MERX contract using ongoing informal risk management.

**2000-641 Review of the Internal Control Framework for MERX
Final Report - Internet Version**

A project to replace the current MERX service to PWGSC with a new GETS was initiated in January 2001. The SOSB has indicated that the functional requirements for the new GETS will be defined within the project life cycle.

Conclusions

Interviews and review of documentation indicated that processes controlling the completeness, accuracy, timeliness and authenticity of PWGSC bid opportunity notices and related documents are functioning effectively in a stable manner with no indication of significant risks in the transactional (notice and document) control environment.

Organizational changes subsequent to the Preliminary Survey have been useful in clarifying who is responsible for ensuring electronic bid solicitation service to PWGSC beyond the MERX contract. However, documented roles and responsibilities, at least at the summary level, which distinguish between those of the Electronic Supply Chain Sector (ESCS) and the Supply Program Management Sector (SPMS) including the three new SPMS directorates, would provide a durable reference for MERX system management staff, project personnel and other stakeholders involved in the establishment of the new GETS.

A comprehensive operational plan would normally be a requisite vehicle to promote understanding/acceptance of planned tasks and priorities amongst stakeholders. However, overtaking events such as the planning for the new GETS project as well as the movement of the SSD into the ESCS provide compensating planning mechanisms.

Although there is insufficient documentation available on the contracted MERX service performance to provide formal evidence that the contracted MERX service standards are being met, performance is being monitored by experienced staff who are familiar with the contract, and relatively few complaints are received. The aforementioned factors, coupled with the limited time left to the end of the contract, reduce the need to augment or modify the monitoring methods at the present time.

There are adequate processes in place, in MERX, to comply to trade agreements, policies and legislation as specified by PWGSC.

The SOSB has taken steps to reduce and mitigate risk throughout the life of the MERX contract using ongoing informal risk management. In addition, the SOSB has identified the intention to introduce a "complete risk control process for the new GETS".

Recommendations:

It is recommended that:

1. *the Assistant Deputy Minister, SOSB ensure that the roles and responsibilities related to the electronic bid solicitation requirements for PWGSC be clearly documented at a summary level and communicated to affected entities; and,*
2. *no further work be done in terms of a Detailed Examination Phase as: there is no indication of significant risks in the transactional (notice and document) control environment; and, the SOSB is in the midst of decision making and planning related to the new electronic bid solicitation environment.*

1 Introduction

1.1 Authority for the Project

This review was included as part of the 2000-2001 Audit and Review Plan approved by the Audit and Review Committee.²

1.2 Objectives

To assess the adequacy of the Supply Operations Service Branch (SOSB) internal control framework and performance management framework for MERX.

1.3 Scope and Issues Examined

This report documents the results of the Preliminary Survey Phase, conducted in the third quarter 2000-2001, during which the review team acquired an understanding of the review entity, its processes and key issues through interviews and document review. The Preliminary Survey examined the MERX system and associated Public Works and Government Services Canada (PWGSC) interfaces. Considered and included in the scope of the Preliminary Survey were the following controls and processes:

- controls ensuring accuracy, completeness, authenticity and timeliness of PWGSC data/information delivered through MERX;
- planning, monitoring, reporting and corrective mechanisms including those mechanisms measuring MERX system/contractor performance, user feedback, as well as those measuring achievement of stated performance objectives/standards;
- risk management mechanisms related to the delivery of procurement information through MERX;
- compliance with related policies, procedures, agreements and regulations; and,
- determination if the PWGSC Government Electronic Tendering System (GETS) functional requirements are adequately and currently described.

In accordance with the scope originally outlined in the Terms of Reference the work neither assessed the Automated Buyer Environment nor the PWGSC bid solicitation/contracting processes nor PWGSC planning and preparedness in regard to the expiration of the contract with the current GETS service provider (Cebra Inc.) other than in regard to the PWGSC electronic tendering functional requirements. The testing of specific control processes was not conducted as part of the Preliminary Survey.

² This project was conducted under the guidelines of the previous Treasury Board Review and Internal Audit Policy which was in effect up to March 31, 2001.

1.4 Background

Public Works and Government Services Canada has had a long history of publicly advertising government procurement opportunities. This practice was expanded in the early 1990's as part of the *Open Bidding* initiative as well as to comply with various trade agreements. From 1992 to 1997 PWGSC advertised and distributed procurement opportunity information through the *Open Bidding Service* (OBS) and the Government Business Opportunities (GBO) publication. The OBS relationship was terminated in 1997 at the completion of the OBS contract.

In 1996, in support of a joint Federal-Provincial initiative, PWGSC publicly advertised an opportunity to provide a "Government Electronic Tendering Service (GETS)" which would, under license, post procurement opportunities electronically and distribute documents on behalf of the Federal Government and other participating jurisdictions in Canada. In 1997, as one of the individual participating jurisdictions each with separate contracts with the service provider, PWGSC contracted with Cebra Inc. who was the successful bidder for the GETS. Under the terms of the contract the service would operate at no cost to PWGSC with revenue being generated by charging fees, predetermined under the contract, to subscribers of the service.

In addition to the electronic service, the Federal Government exercised its option under the contract for Cebra Inc. to publish the GBO publication which is used to fulfil international trade agreement requirements.

Cebra Inc. introduced the new service late in 1997 as *MERX - Canada's Electronic Tendering Service* under a three year contract. In May 2000 PWGSC invoked the two option years to utilize the MERX up to May 2002 when the contract with Cebra expires.

In addition to the Federal Government, all ten Provinces and hundreds of other public sector clients advertise opportunities on MERX. PWGSC works collaboratively with the participating provinces when considering and resolving system and functionality issues as an active participant in the National Electronic Tendering Working Group (NETWG) meetings.

The MERX service currently has approximately 40,000 subscribers. PWGSC advertises approximately 10,000 procurement related notices per year.

2 Profile of the Entity

Supply Operations Services Branch (SOSB):

The SOSB is responsible for providing procurement related common services to federal departments and agencies. As part of this role SOSB has responsibility for MERX, an electronic tendering service which publicizes contracting opportunities and distributes bid information to potential suppliers and contractors. PWGSC procurement personnel are expected to publish notices on the MERX for purchasing requirements valued at; and/or. in excess of the following thresholds:

- \$25,000.00 goods;
- \$80,900.00 services;
- \$60,000.00 construction contracting; and,
- \$100,000.00 printing.

The SOSB has three service line sectors which carry out procurement: Aerospace, Marine, and Electronics Systems Sector (AMES); Industrial and Commercial Products and Standardization Services Sector (ICPSSS); and, Science, Informatics, and Professional Services Sector (SIPSS). These service line sectors benefit from policy and operational support provided by the Supply Program Management Sector (SPMS).

The SOSB created the new Electronic Supply Chain Sector (ESCS) in the third quarter of 2000 to implement electronic procurement solutions to support the Government On Line (GOL) initiative.

Supply Program Management Sector (SPMS):

At the time of the Preliminary Survey, in addition to the Supply Management Directorate (SMD) and the Supply Systems Directorate (SSD) there were three recently established SPMS directorates. The Strategic Policy Directorate, the Operational Policy Directorate, and Risk Management and Quality Assurance Directorates replaced the former Supply Policy and Special Projects Directorate. The Strategic Policy Directorate provides PWGSC representation with regard to MERX on the NETWG which is a subcommittee of the Agreement on Internal Trade (AIT) Procurement Negotiating Table. The NETWG, with representatives from the Federal and Provincial governments, developed the statement of requirements for the current "Government Electronic Tendering System (GETS)" known commercially as MERX.

As well as providing general management support to SOSB, the Supply Management Directorate (SMD) manages Contracts Canada and the SOSB Bid Receiving Unit (BRU):

- Contracts Canada is an interdepartmental initiative to improve supplier and buyer awareness as well as to simplify access to federal government purchasing information. Contracts Canada Infoline answers and /or redirects suppliers' queries regarding the government

**2000-641 Review of the Internal Control Framework for MERX
Final Report - Internet Version**

tendering and contracting processes. The Contracts Canada Internet site maintains information about MERX and provides a direct link to the MERX site; and,

- The SOSB BRU is responsible for receiving bids in a secure environment and forwarding the bids to the appropriate SOSB procurement officer at the bid closing date. The SOSB BRU uses the Bid Receiving Report System (BRRS) owned and provided by Cebra, the MERX service provider, to record the receipt and distribution of bid documents.

The Director, SSD, SPMS⁵, is identified, in the MERX contract, as the PWGSC "Project Authority" for the MERX service to ensure that contracted functionality is provided. In addition to this role the SSD is responsible to ensure that a control environment exists to ensure that PWGSC opportunity notices, bid documents and related procurement information are administered properly. The SSD provides systems management services to support SOSB procurement systems that generate MERX destined input. The SSD also administrates and controls the payment of contractual obligations to the service provider (to refund subscribers) when purchasing requirements are cancelled subsequent to posting as well as for distributing Real Property documents to third party distributors.

Within SSD, the Production Systems Management Division (PSMD) manages transaction integrity processes through the "ABE SWAT Team". These integrity processes include managing input going from the Automated Buyer Environment (ABE) to the MERX and resolution with the appropriate procurement officer of any notices/documents rejected by MERX. The Application Development Division (ADD) provides MERX related system management services.

Government Telecommunications and Informatics Services (GTIS) Branch:

The Application Portfolio Client Initiatives Directorate, GTIS provides ABE related technical support to SOSB including management of the interface between the ABE and MERX. GTIS also generates data transmission control reports based on the MERX response to the ABE feed input data. The ABE SWAT Team uses the information on these reports to ensure problems with rejected input are resolved.

PWGSC Regions:

PWGSC Regional Offices provide supply related common services to federal departments under the functional direction of the SOSB. Procurement personnel in each of the PWGSC Regions utilize the ABE to create and transmit opportunity notices and bid solicitation documents for requirements that are required to be advertised on the MERX. Each Regional office manages its own bid receiving unit. These bid receiving units utilize manual processes to control bids rather than the BRRS.

⁵ Subsequent to the completion of the review work for the Preliminary Survey, an organizational change was made whereby the Supply Systems Directorate was moved from the SPMS to the Electronic Supply Chain Sector.

MERX Overview:

Cebra Inc. owns and operates the MERX service which distributes bid opportunity information to the public under authority of a contract and license agreement with PWGSC at no cost to the Federal Government, except for specific contractual obligations such as for cancelled notices.

In addition to PWGSC, other federal departments as well as provinces, municipalities, academic institutions, schools, and hospitals utilize the MERX. According to MERX advertising, the total volume of opportunities advertised on MERX are worth about \$5 billion annually, with 1,500 open tender opportunities on any given day.

Access to opportunity notices on the MERX electronic database is available internationally to the public at no charge through the Internet. MERX generates revenue for Cebra Inc. by charging a subscription fee and fees for delivery of bid solicitation documents. The document fee varies by method of delivery selected amongst electronic download, fax transmission or courier delivery of hard copy materials. These hard copy materials can include paper bid solicitation documents, blueprints, CDs, and sample goods. Subscriber service charges were established through the bidding process for the "GETS" in 1996. Cebra Inc. also prints and distributes the Government Business Opportunity publication under a MERX contract option to support Government of Canada obligations related to the North American Free Trade Agreement (NAFTA) and the World Trade Organization - Agreement on Government Procurement (WTO-AGP).

In addition to the online MERX services, Cebra provides the public with telephone service to order documents and to follow-up on service issues.

The MERX service includes the Notice Creation Software (NCS), an online function which enables procurement agencies to create opportunity notices and post them directly onto the MERX.

There are two transactional environments in PWGSC to consider in respect to the input and control of opportunity notices as well as bid solicitation documents destined for the MERX:

- Most PWGSC input destined for MERX is prepared by procurement personnel (SOSB and Regional) using the ABE and transmitted to the MERX for posting and distribution; and,
- The MERX NCS is used to enter a low volume of opportunity notices (up to approximately 20 per month) directly into the MERX by the AMES Project and Professional Services Directorate (PPSD) staff on behalf of approximately 20 AMES procurement personnel who do not work in the ABE. In addition, there are several individual ICPSSS and SIPSS procurement officers who are collocated with their clients, who do not work in the ABE and who also use the NCS to enter a similarly low volume of notices.

The PWGSC Overview Process Flow follows on the next page:

3 Findings, Conclusions and Recommendations

3.1 Findings

3.1.1 Control Framework

Roles and Responsibilities:

During 2000, the SOSB created the new Electronic Supply Chain Sector (ESCS) to manage GOL electronic procurement solutions. In addition, within the SPMS, the Strategic Policy Directorate, the Operational Policy Directorate, and Risk Management and Quality Assurance Directorates replaced the former Supply Policy and Special Projects Directorate. Internal to the Supply Systems Directorate (SSD), the systems management responsibilities for MERX were changed from the Application Development Division (ADD) to the Production Systems Management Division (PSMD).

Interviews and a review of documentation during the Preliminary Survey indicated that the description of the roles and responsibilities related to the management of electronic bid solicitation in PWGSC were no longer current and well understood due to the above noted organization changes. In particular the roles and responsibilities related to ensuring the provision of electronic bid solicitation service to PWGSC beyond the MERX contract were not clearly identified, defined and assigned.

Subsequent to the Preliminary Survey review work, the SSD was transferred from the SPMS to the ESCS and the GETS project was initiated as part of the ESCS responsibility. In addition, the systems management responsibilities for MERX were changed back from PSMD to the ADD. These organizational moves have been useful in clarifying, at the sector level, who is responsible for ensuring and establishing the provision of electronic bid solicitation service to PWGSC beyond the MERX contract. The roles and responsibilities of the Strategic Policy Directorate, the Operational Policy Directorate, and Risk Management and Quality Assurance Directorates in regard to establishing the new electronic bid solicitation requirements remain to be clarified.

Issues and Change Control Management:

Interviews and the review of documentation indicated that SSD has change control processes in place to test and manage modifications to MERX and ABE related interfaces as required. Key issues management practices are the SSD and Cebra Inc. monthly management conference call meetings used to address operational problems, process changes and issues related to MERX. The SSD records the issues as well as specified actions in the "Aftermath Document". Items in the Aftermath Document are

2000-641 Review of the Internal Control Framework for MERX
Final Report - Internet Version

cross-referenced to the Cebra Inc. MERX Issue management system and maintained until they are resolved.

Operating and Control Procedures:

Interviews and the review of documented procedures for each of the two PWGSC transactional environments indicated there are control processes, operating in both the PWGSC and MERX domains, designed to facilitate complete, accurate and timely notice publishing as well as associated bid document transmission from PWGSC through MERX and on to ordering subscribers.

The MERX system provides the Detailed Tracking Report (DTR) which is a comprehensive record of notice and document postings including amendments as well as all bid solicitation document orders. The DTR is available online to administrative and procurement staff to track the processing of notices, amendments as well as bid documents through MERX to the subscriber.

Specific to the two PWGSC transactional environments:

- The SSD "ABE SWAT Team" staff track input of notices and documents from the ABE to MERX. To support the ABE SWAT Team, the SSD has developed control reports based on ABE notice and document transmission data which are matched to MERX posting logs. These reports are used by the ABE SWAT Team to ensure notices are completely posted on a timely basis as well as to follow-up on errors. Little statistical based feedback, however, is conveyed to the management of COSB and Regional procurement sections to assist in error avoidance. The ABE SWAT Team is aware of recurring input problems from specific sections and has informal plans to produce statistical based feedback to procurement sections; and,
- In the NCS environment, the PPSD, AMES support unit maintains a manual log to track notice input and document transmission to ensure that AMES notices input through the NCS are posted on a timely basis as well as to follow-up on errors. Those ICPSS and SIPSS procurement officers who input directly into the MERX using the NCS are responsible to monitor input themselves to ensure their notices are posted completely, accurately and on time. The low volume of notices and documents entered and transmitted per procurement officer through the NCS permits attention to each transaction.

Although there are preventative control procedures in both domains (PWGSC and MERX) designed to accomplish the complete, accurate and timely publishing of information, the textual nature of the notices requires all prudent authors to monitor notice postings themselves to ensure completeness and accuracy. PWGSC procurement officers have online access to the MERX, including the DTR, to facilitate post publishing monitoring and have been encouraged to follow-up on their input. The Preliminary

Survey did not include a determination to what extent procurement officers access MERX to review their notices for accuracy.

To protect against publishing unauthorized input there are systems security features required to post to the MERX including user identification and password protection. In addition, there are other complementary MERX procedures such as matching of bid solicitation documents to opportunity notices prior to publishing. The ARB review team did not test specific controls including those related to access security as part of this Preliminary Survey Phase.

3.1.2 Planning, Monitoring, Reporting and Compliance

Planning:

Although the SOSB did not have a formal, single, comprehensive planning document for 2000-01 which clearly identified the objectives, activities, responsibilities and timelines related to the operational and system management of the MERX service, there were several management documents used by SOSB, collectively, to plan for MERX operations and systems.

At the completion of the Preliminary Survey, the ARB review team was given a draft copy of the *Position Paper on Options for the Future of the Government Electronic Tendering System* which was developed under the direction of SPMS management. The paper examines options for government electronic tendering as a starting point in development of a strategy for the impending end of the MERX contract. During the fact validation process, the SOSB reported that a plan for the replacement of MERX was approved by PWGSC senior management in January 2001.

Monitoring and Compliance:

With respect to monitoring, the Director, SSD (as the Project Authority designated in the MERX contract) is responsible for monitoring MERX performance in regard to contracted service standards and compliance to specified functions. The SSD managed a thorough testing and review process to ensure compliance to the functional requirements outlined in the contract prior to acceptance of the MERX system in 1997. In addition, SSD staff who are familiar with the MERX contract access the MERX system on a regular basis to monitor system performance from both a subscriber and procurement officer perspective. The SSD monitoring also utilizes MERX provided reports and other sources of information such as Contracts Canada which forwards feedback from subscribers regarding the MERX service performance as well as the quality of PWGSC procurement notices content to SSD. This monitoring does not use a formal guide based on the service standards documented in Appendix A - Section 6 of the MERX contract to structure and document the exercise, however, there are indicators that the MERX service is functioning in an effective and stable manner. Interviews with Contracts Canada staff indicated that, in general, relatively few complaints are received regarding MERX

service. Interviews with SOSB procurement personnel indicated an acceptance of the quality of service provided by MERX. In addition, Cebra Inc. conducted a MERX online subscriber survey in the fall of 2000 which provided generally positive indications regarding MERX service.

In terms of compliance, procurement officers, assisted by SOSB procurement systems, are ultimately responsible to ensure that notices and bid solicitation documents distributed through MERX comply with trade agreements. Procurement officers are also responsible to ensure that notices are posted in both official languages. The MERX has systems based controls to ensure that opportunities covered under the NAFTA and the WTO-AGP are not displayed electronically prior to publishing in the GBO publication. Interviews indicated that compliance in this area has not been an issue.

Management Reporting:

SSD issues a monthly report regarding MERX to the (former) Supply Policy Directorate. This report includes Cebra Inc. supplied statistics for the full client base of jurisdictions, based mainly on Cebra Inc. MERX reports as well as textual information on MERX related activities including Ministerial correspondence. The SPMS uses the MERX report as well as related information from sources such as the NETWG meetings to produce a monthly report for senior management in PWGSC.

Corrective Mechanisms:

The SSD and the Cebra Inc. managers meet monthly to discuss issues and identify corrective measures. The SSD uses the Aftermath Document as a key control point to track the status of issues/problems/changes in regard to MERX and/or interfacing processes.

3.1.3 Risk Management

The SOSB has used an ongoing informal risk management process to reduce and mitigate risk throughout the duration of the MERX contract. In addition, Cebra Inc. MERX management indicated through interview that there is a Cebra business contingency plan for the MERX and a "cold" back up site for MERX, which was prepared in consultation with SOSB.

3.1.4 Functional Requirements

At the time of the Preliminary Survey there had been little activity to prepare for future needs apart from the *Position Paper on Options for the Future of the Government*

Electronic Tendering System. The functional requirements to support PWGSC electronic bid solicitation needs at May 2002 and beyond had not yet been defined.

Although service requirements were outlined in the Request for Proposal for the current MERX contract, these requirements are very general in nature and may not be sufficiently detailed depending on which option (i.e. make or buy) is selected. These documented requirements are not yet current since lessons learned during the current contract period and potential new obligations have still to be considered and defined. This consideration would also include requirements which persist such as those related to the distribution of hard-copy documents and the MERX provided Bid Receiving Report System.

A project to replace the current MERX service to PWGSC with a "new GETS" was initiated in January 2001. The SOSB has indicated that the functional requirements for the new GETS will be defined within the project life cycle.

3.2 Conclusions

Interviews and review of documentation indicated that processes controlling the completeness, accuracy, timeliness and authenticity of PWGSC bid opportunity notices and related documents are functioning effectively in a stable manner with no indication of significant risks in the transactional (notice and document) control environment.

The description of the roles and responsibilities related to the management of *electronic bid* solicitation in PWGSC were not all completely clear due to several recent organizational changes in the SOSB. Organizational changes subsequent to the Preliminary Survey have been useful in clarifying who is responsible for ensuring electronic bid solicitation service to PWGSC beyond the MERX contract. However, documented roles and responsibilities, at least at the summary level, which distinguish between those of the Electronic Supply Chain Sector (ESCS) and the Supply Program Management Sector (SPMS) including the three new SPMS directorates, would provide a durable reference for MERX system management staff, project personnel and other stakeholders involved in the establishment of the new GETS.

A comprehensive operational plan would normally be a requisite vehicle to promote understanding/acceptance of planned tasks and priorities amongst stakeholders. However, overtaking events such as the planning for the new GETS project as well as the movement of the SSD into ESCS, with the continuity of staff and management methods associated with the ongoing system management of the MERX, provide compensating planning mechanisms.

There is insufficient documentation available on the contracted MERX service performance to provide formal evidence that the contracted MERX service standards are being met. Service performance, however, is being monitored by experienced staff who are familiar with the contract. In addition, independent information such as that collected through Contracts Canada indicates that relatively few complaints are received regarding service. The aforementioned

factors, coupled with the limited time left to the end of the contract, reduce the need to augment or modify the monitoring methods at the present time.

There are adequate processes in place, in MERX, to comply to trade agreements, policies and legislation as specified by PWGSC.

While the SOSB does not have formal risk management processes in place regarding electronic bid solicitation processes, it has taken steps to reduce and mitigate risk throughout the life of the MERX contract using ongoing informal risk management. Furthermore, the SOSB has identified the intention to introduce a "complete risk control process for the new GETS".

The SOSB has initiated steps towards defining the functional requirements for the PWGSC electronic tendering needs beyond May 2002.

3.3 Recommendations

It is recommended that:

1. *the Assistant Deputy Minister, SOSB ensure that the roles and responsibilities related to the electronic bid solicitation requirements for PWGSC be clearly documented at a summary level and communicated to affected entities; and,*
2. *no further work be done in terms of a Detailed Examination Phase as: there is no indication of significant risks in the transactional (notice and document) control environment; and, the SOSB is in the midst of decision making and planning related to the new electronic bid solicitation environment.*

Review of the Internal Control Framework for MERX
Final Report - Internet Version

4 Action Plan

Recommendation:

It is recommended that:

1. *the Assistant Deputy Minister, SOSB ensure that the roles and responsibilities related to the electronic bid solicitation requirements for PWGSC be clearly documented at a summary level and communicated to affected entities.*

Action Plan:

RECOMMENDATION	ACTION PLAN	IMPLEMENTATION TIMETABLE
<i>The ADM Deputy Minister, SOSB ensure that the roles and responsibilities related to the electronic bid solicitation requirements for PWGSC be clearly documented at a summary level and communicated to affected entities.</i>	SOSB (ESCS) will solicit input from stakeholders to update the Roles and Responsibilities Document. This document will then be revised as required. Final document will be forwarded to stakeholders for concurrence. Upon concurrence, document will be translated and distributed.	June 15, 2001 June 30, 2001 July 15, 2001 August 15, 2001