

Acquisitions Branch's Action Plan to Directed Audit - First Canadian Health's Service Contract - 2003-731 - August 2004

RECOMMENDATIONS	RESPONSE	ACTION
1. Consider incorporating [*]	[*] The technical enhancements will not be beyond the scope of the SOR but will be made as a result of changes in such things as allowable health benefits, benefit rates, policy changes within the Federal Government, Health Canada or the provincial/territorial Health plans or as a result of Health Canada negotiations with such organizations as the Pharmacists Associations, Dental Associations ,etc.	No action required.
<p>2. Amend the FCH contract to:</p> <p>Clearly identify PWGSC's procurement roles and responsibilities. This will ensure that future negotiations and decisions are identified and supported in the contract documents;</p> <p>Require the submission of financial information to PWGSC, which will enable the department to track commitments of monies against the contract;</p>	Acquisitions Branch concurs with this recommendation.	Acquisitions Branch is currently in negotiations with the Contractor to resolve all outstanding issues. As part of these negotiations Acquisitions Branch has proposed contract amendments to more clearly define procurement roles and responsibilities and to require the submission of financial information to Acquisitions Branch that will allow the Branch to track commitments of monies against the contract. It is anticipated that the contract amendments will be executed in September, 2004.
3. Undertake an annual audit of the FCH contract, as permitted in the contract terms and conditions, which includes a review of financial transactions between all related entities, in order to provide assurance that the Crown has received services in accordance with the contract and to monitor [*] FCH;	Acquisitions Branch concurs with this recommendation.	The contract General Conditions allows for Audits of the Contractor's records and accounts. PWGSC has requested that PRISM take the necessary actions to implement an annual review of the Contractor's records and accounts to ensure the adequacy of FCH records and accounts to support claims submitted. Reviews will be completed each year beginning in January/February, 2005.

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<p>4. Ensure that FCH complies with the Personal Information Protection and Electronic Documents Act and that there are contractual clauses in place to ensure that the privacy rights of users of HICPS are addressed;</p>	<p>Acquisitions Branch concurs with this recommendation.</p>	<p>Acquisitions Branch has confirmed [*] that there are contractual clauses in place to ensure that the privacy rights of users of HICPS are addressed. Canadian and International Industrial Security directorate (CIISD) has been requested to ensure that the Contractor complies with the Personal Information and Electronic Documents Act. It is anticipated that CIISD will carry out the applicable work starting in the first half of 2005. Applicable changes will be incorporated in the contract amendment to be issued following successful completion of current negotiations.</p>
<p>5. Ensure that FCH complies with contract conditions such as security, bonding, and Set-Aside provision throughout the life of the contract;</p>	<p>Acquisitions Branch concurs with this recommendation.</p>	<p>CIISD is currently reviewing all aspects of the Contractor's compliance with security requirements. [*] Opportunities to assess the Contractor's compliance with the Set-Aside provisions will be reviewed following issuance of the planned Contract amendment (expected to be finalized in September, 2004) and assurances of satisfactory performance of the Work (estimated mid 2005). Acquisitions Branch will ensure that the Contractor complies on an ongoing basis with all Contract requirements.</p>

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<p>6. Use knowledge gained from prior contracts in the identification and assessment of contractual risks, as well as the advice from authoritative sources to ensure that appropriate controls are applied in the future;</p>	<p>Acquisitions Branch concurs with this recommendation.</p>	<p><u>A - FOR PWGSC PROCUREMENTS IN GENERAL</u></p> <p>Acquisitions Branch will ensure that its procurement sectors use knowledge gained from prior contracts in the identification and assessment of contractual risks, as well as the advice from authoritative sources to ensure that appropriate controls are applied to future contracts. The Risk Management & Insurance Advisory Services (RMIAS) division in Acquisitions Branch is set up to review proposed procurements according to risk management processes it has been establishing in the past eight months. The objectives of these processes are to ensure consistency in all procurement contracting with respect to identification of fortuitous and operational risks in contract requirements and contractors' abilities to finance risks of negligence and wrongful discharge of their contractual obligations. (The decision to involve RMIAS in the risk review of a procurement is at the discretion of the procurement sector.)</p> <p>After assessment of the degree of risk, appropriate recommendations can be made by RMIAS for the assumption and transfer of risk and indemnification, loss prevention measures, financing mechanisms such as insurance or self underwriting where applicable, and a functional procedure within contracts for incident reporting to ensure that loss trends are eliminated and recoveries are sought as and where possible and applicable.</p>

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		<p><u>B - FOR SPECIFIC FOLLOW ON CONTRACT FOR HEALTH INFORMATION AND CLAIMS PROCESSING SYSTEM SERVICES</u></p> <p>A new procurement process is currently underway which is to result in the awarding of a contract for the applicable services following the expiry of the contract with FCH. The concerned procurement sector is looking at best practices and lessons learned from other files in the PWGSC community as well as looking at some of their provincial colleagues efforts in procuring these type of services. Health Canada has commissioned some industry analysis services from which the procurement sector will also borrow in developing the eventual procurement strategy and RFP & SOW design. The procurement sector will be recommending a risk assessment be conducted as part of the activities for the new procurement. The sector will also be recommending industry consultation, probably in the form of a Letter of Interest (LOI), to get a reality check on the requirements and facilitate industries partnering with each other prior to the release of the official RFP. One objective of the risk assessment will be to help to identify the nature and extent of contractual risk mitigation tools that will be needed.</p> <p>Dependent upon timely efforts by HC, it is anticipated the new procurement for HICPS will be in the solicitation phase in the last half of 2005 with contract award anticipated for the spring of 2006.</p>

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<p>7. Acquisition Branch should assess its current contract management capacity, and if necessary enhance this capacity through the application of additional contract management resources for future acquisitions.</p>	<p>Acquisitions Branch concurs with this recommendation, having already begun action which is still ongoing, to improve its contract management capacity.</p>	<p>In its organizational realignment in December, 2003 PWGSC established a new organization within Acquisitions Branch that has overall responsibility for developing and implementing strategies to strengthen and enhance its contract management framework by introducing measures aimed at changing work habits and re-balancing the level of effort between pre- and post-contract activities, and by introducing a more rigorous framework and more consistent and standard contract management tools and approaches, including the clarification of relevant roles and responsibilities and the establishment of support tools to track milestones and identify action items. Contracts will be built around the framework which will provide for early detection and resolution of contract problems.</p> <p>The operational Sectors of Acquisitions Branch have included in their plans for FY 2004/05 the requirement for additional contract management resources. The CM Director plans on recommending the development of a CM training program and the actual training of procurement personnel in the techniques of contract management.</p>
<p>8. Thoroughly develop and formally document PWGSC and Clients' roles and responsibilities for complex and/or high value contracts</p>	<p>Acquisition Branch concurs with this recommendation in that roles and responsibilities as currently presented in the Supply Manual need strengthening and updating.</p>	<p>Work has been progressing in Acquisitions Branch to develop and formally document PWGSC and Clients' updated roles and responsibilities for complex and/or high value contracts. It is anticipated the task will be completed by March 31, 2005. (Already complete for DND).</p>