



**FOLLOW-UP AUDIT
OF
MATERIEL MANAGEMENT

SUMMARY REPORT**

September 2000

Audit Division (SIV)

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Executive Summary

The Internal Audit Division (SIV) undertook, from November 1999 to February 2000, a follow-up audit of the Materiel Management audit conducted in 1995.

Recommendations of the last audit focussed on the need to improve overall management and accountability for materiel management within the Department. The audit also supported a 1995 Price Waterhouse study which concluded that the decentralized approach to materiel management needed a corporate management focus. As a result, the ADM, Corporate Services commissioned a study to review the options for organizing the materiel management function. This review was conducted by SIV in the summer of 1996. The review recommended that a single Centre of Expertise in the Corporate Services Branch be established. The recommendation was never implemented. Instead, the Materiel Management Committee (MMC) was created to provide a corporate focus for the function.

Overall, most of the recommendations made in the 1995 audit have been satisfactorily addressed. Of the 91 recommendations, 51 have been implemented, 19 are no longer applicable, 18 have been partially implemented and three have not been implemented. There is now an improved accountability framework for materiel management in the Department and the procurement processes have been streamlined. Service standards still need to be developed and performance indicators contained in the performance standards need to be updated using data now available in Departmental information systems. The audit also found that warehousing is not centrally coordinated in the Department nor is there a Departmental inventory system. As a result, different warehousing rates are being paid throughout the Department. The MMC should address this issue from a corporate perspective, once a departmental inventory system is in place.

Scope and Objectives

The follow-up audit examined the recommendations made in the 1996 audit of Materiel Management to the six units which were most actively engaged in materiel management. They are:

- Management Services Unit (ISDF) of the Security and Intelligence Bureau (ISD);

- Business Management Division (SXM) of the Information Management and Technology Bureau (SXD); and
- Four units of the Physical Resources Bureau:
 - Procurement Services Division (SRM);
 - Warehouse Management and Transportation Section (SRMS);
 - Headquarters Administrative Services Division (SRA); and
 - Interior Design Services (SRPD).

The objectives of this audit were to assess the degree and reasonableness of the corrective measures that were implemented by six units in response to recommendations made in the 1996 audit of Materiel Management and to formulate additional recommendations, where required. This audit included interviews with management and staff and a review of pertinent documentation.

Key Findings

Organization

- The overall management and accountability for materiel has improved within the Department as a result of the creation of a Materiel Management Committee (MMC). The MMC has significantly contributed to the establishment of a corporate focus and approach to materiel management. The MMC also guides and coordinates a wide range of materiel activities within the Department and provides an effective forum for discussion of materiel management issues.
- The re-organization of the materiel management function within all of the principal materiel management units within the Department has also contributed to increased accountability and resulted in clarified roles and responsibilities and the elimination of the duplication of functions and procedures as identified in the previous audit. The units have re-organized as follows:
 - The Business Management Division (SXM) procurement responsibilities now extend to the Technology Systems Support Section (SXTT) and the Voice Services and Switching Section (SXTV);
 - The Headquarters Administrative Services Division (SRA) now reports to the Physical Resources Bureau (SRD);
 - Interior Design Services (SRPD) no longer reports to Materiel Services Division (SRM) but to the Project Implementation Division (SRP);

- ❑ The SRM reorganization has resulted in the creation of a Deputy Director of Operations position and a distribution of work along geographic lines. Three logistics support sections have been created to service missions abroad. The sections are staffed by Logistics Officers whose duties now encompass procurement, accounts payable and shipping;
 - ❑ The Warehouse Management and Transportation Section (SRMS) has been reorganized and now has two Transportation Officers. The Officers report to the Deputy Director who is responsible for operations, transportation and warehousing in SRM; and
 - ❑ The Management Services Unit (ISDF) within the Security and Intelligence Bureau (ISD) created a procurement section which now handles the procurement and shipping of all security equipment.
- Roles, responsibilities and authorities for materiel management have been defined and it is planned that they will soon be communicated via the Intranet.
 - Policies and practices have been updated, streamlined and simplified.
 - A draft policy for Low Value Assets, suggesting that assets under \$1000 not be recorded and tracked, has been developed. However, the policy has yet to be approved by the Materiel Management Committee and promulgated.
 - Service standards are in the process of being developed for SRA, SRPD, SRM, SRMS and ISDF. SRM and SRMS need to expand their performance measurement standards to include workload standards.

Performance standards were developed for SRM, SRMS, SXM, ISDF and SRA in 1997. These standards included certain performance indicators against which the employee's and organization's performance is being assessed. However, the performance standards did not include specific service standards or meaningful workload standards. Service standards define acceptable levels of service that the organization's clients can expect. Workload standards define what can be expected of an employee over a given period of time. Since 1997, the Integrated Management System (IMS) and the Foreign Affairs Consolidated Transportation System (FACTS) have been implemented and transactional data is more readily available. This data could be used to establish meaningful service standards and workload standards.

Recommendation for MMC

MMC should review the performance standards established in 1997 with a view to updating them to include meaningful services standards and workload standards using data now available in Departmental information systems.

MMC Response

The divisions concerned have received examples of standards developed by SIV and will incorporate them with the existing performance standards taking into account the business process in the Department. This exercise should be completed by the end of the fiscal year.

Systems

- IMS, the Departmental financial SAP system, has been implemented.
- FACTS was implemented in SRM to replace the Materiel Procurement Support System (MPSS).

Warehousing

- The Department spent approximately \$750K in 1999/2000 at Headquarters on warehousing, excluding personal effects.
- Warehousing is not done centrally, nor is there a standard system for warehoused goods.
- PWGSC Standing Offer Agreements (SOAs) for warehousing are used by SRAM. The SOAs can be used by all Headquarters Directorates. The MMC should review the use of these SOAs to determine whether their use should be mandatory for all Headquarters Directorates.
- Other units are currently leasing their own warehousing space, with the result that there are significant variances in the rates being paid to the different suppliers. The differences in rates may be justified as the services which are being offered also differ.
- One unit, SXM, uses the warehouse services of two suppliers but has no contract in place with either of them. This leaves the Department at the mercy of potential rate fluctuations on a monthly basis.

- The SRMS warehouse contract is no longer with a Montreal firm. The contract was awarded to an Ottawa firm to consolidate warehousing operations in one location.
- The furniture stockpile, that was identified in the original audit, has been significantly reduced through the elimination of office furniture and appliances from the stockpile.
- Control of stored inventories could be improved in some areas. Physical counts are not conducted periodically at each warehouse.

Recommendation for MMC

Develop and implement, with the IMS team, a standardized inventory system for use throughout the Department.

MMC Response

Some members of the MMC are currently on the Low Value Asset working group which is working towards the development of a standardized inventory in IMS and a complimentary bar coding system. This will form part of the Asset Management IMS module which is to be implemented by 2002.

Recommendation for MMC

Once the inventory system has been implemented, conduct a more detailed review of warehousing activities and practices at Headquarters to assess the best option for the Department. This study should take into account the needs related to different types of equipment that are being stored, such as computer and security equipment. The MMC should address this issue from a corporate point of view and ensure that all relevant Directorates are involved and participate in the study.

MMC Response

The MMC will conduct a study once the Asset Management module of IMS is fully implemented.

Shipping

- An agreement has been entered into with a single freight forwarder for a period of three years with an option to renew for an additional two years. A

representative of the freight forwarder is on-site full-time in the SRMS Section. This arrangement is working well.

- Air shipments have been reduced from 75 percent of total shipments at the time of the previous audit to 27 percent in 1999/00. The shipping budget for 1994/95 was \$2.7 million. The shipping costs for 1999/2000 were \$946,000. The savings
- can be largely attributed to the decentralization of the shipping budget to the missions.

HQ Stores (Consumable Goods)

- SRA is capitalizing on volume discounts obtained from suppliers through a centralized operation.
- Alternative methods of delivering consumable goods were reviewed by the Audit Team and, in the Team's opinion, given the size of the operations, none of the other options would be cost effective. It was decided that the best choice was to maintain the status quo. However, certain improvements to current business practices of the stores operations have been recommended to increase cost effectiveness. These recommendations are contained below. (See specific findings for SRA)

Other Findings by Unit

Individual follow-up audit reports have been prepared for each of the six units most actively engaged in materiel management. In addition to the findings discussed above, the more salient findings of these audits are:

Headquarters Administrative Services Division (SRA)

- SRA's roles, responsibilities and authorities have been defined and are planned to soon be posted on the Intranet, along with its mission and mandate.
- SRA maintains and operates a supplies store of consumable goods at the Pearson Building. The current system of using a service counter approach and the stores operation is problematic. SRAM provides some control on the quantities of items picked up from the store or used by clients. Items are provided to clients at no cost. To improve the cost-effectiveness of store operations, we recommend certain improvements to current business practices of the stores operations:
 - ❑ Decentralize the Headquarters budget for office supplies, except paper, to the RC level and implement a charge-back procedure. The use of IMS should alleviate any administrative burden that the charge-back procedure could cause.
 - ❑ Restrict the authority for picking up office supplies at the store to specific individuals authorized for each RC.
 - ❑ Implement an improved inventory management/point-of-sale system, linked to IMS, within the stores operations to better manage inventory levels, stock location and storage space utilization. This would also facilitate the deployment of a product catalogue to RC administrators.

We note that SRA management is planning a review of its store operations this fiscal year.

Procurement Services Division (SRM)

- The materiel management function is currently well managed. Staff is well trained and communications have improved greatly. The Logistics Officers positions are functioning well. Training in core competencies has been provided and a certification program for purchasers is currently under development at Treasury Board. SRM should ensure all purchasers undertake this certification program when it becomes available.
- Service standards need to be developed for the Division and communicated to all clients. A client satisfaction survey should then be completed to gauge the effectiveness of the service.
- Performance standards were developed for SRM in 1997. However, with the introduction of data now captured in IMS and in FACTS, the performance indicators on which the performance standards are based need to be reviewed.
- The furniture and appliance stockpile has been reduced from \$1.46M to \$400K. SRM no longer stockpiles office furniture and appliances. The stockpile has also been moved from Montreal to Ottawa to allow for better control of warehoused goods.
- A physical count of the stockpile inventory should be conducted on an annual basis.

Warehouse Management and Transportation Section (SRMS)

- The function is now well managed. Staff are well trained and communications have improved.
- Workload standards were recommended in the 1996 audit but have not yet been developed. As a result of the reorganization and the implementation of FACTS, management has increased its monitoring capacity. Productivity is high. No workload issues were identified during the course of the follow-up audit. The Section, however, should introduce service standards and communicate them to its clients.
- MPSS has been replaced by IMS and FACTS. While IMS continues to pose some difficulties to its users due to the inherent complexity of the system, the
- implementation of FACTS has been successful and provides increased control over staff workloads and warehoused goods.

- The degree of expensive crating has been significantly reduced since the previous audit. Most goods are "loose loaded" into containers. SRMS estimates that this approach has resulted in \$150K being saved annually.

Interior Design Services (SRPD)

- While significant improvement was noted in the area of planning and monitoring of the work, there are still minor issues that need to be addressed. For instance, SRPD management indicated that, in order to eliminate possible misunderstandings with missions/clients, Memoranda of Understanding (MOUs) are now in place for each design project. While we found evidence of electronic correspondence exchanged between SRPD and missions, the correspondence does not constitute an MOU. In addition, missions are not required to either respond to or agree with the proposed work and/or furniture.
- The planning and monitoring process for design activities in SRPD has been formalized and strengthened. A long-term refurbishing plan for missions and Official Residences (OR), which is based on a 15 year life expectancy cycle, is now in place.
- New procedures have been developed and implemented to ensure designers present a detailed and complete refurbishment project proposal to the SRPD Program Manager prior to the start of any procurement.
- The missions still need to be reminded, on an on-going basis, of their role and of SRPD's role and responsibility for design control areas.
- SRPD conducted a review of the designers work activities in 1998/99. Over time, the workload of designers has increased. As a result, in addition to the current complement of eight indeterminate designers, an additional designer has been approved on a term basis, as have two indeterminate design assistants. The design assistant positions should allow for better utilization of the designers' time.
- The inventory of office furniture has been eliminated.

Business Management Division (SXM) of the Information Management and Technology Bureau (SXD)

- Contract splitting has been significantly reduced, if not eliminated, as a result of the increase of the ceiling for Local Purchase Orders from \$2,500 to \$5,000. More recently, SXM has requested that the ceiling be increased to \$10,000 in order to further reduce the volume of procurement documents. At the time of this audit, no response had been received from PWGSC.
- National Individual Standing Offers (NISOs) have been created to enable SXMP to acquire goods more cost-effectively. There are now fewer suppliers who each handle a larger volume of transactions.
- A draft Information Technology Asset Management policy has been developed. The policy clarifies roles, responsibilities and authorities as they relate to asset management. The issue of an Asset Tracking System, however, still needs to be addressed. The current SXM application, Corp Apps Asset Management System, needs to be upgraded. SXM, however, is awaiting a departmental decision from the Corporate Management Systems, Policy and Reporting Division (SMS), regarding an Asset Management Application that is compatible with IMS and that meets all Departmental needs.
- SXM leases space in three commercial warehouses. The audit revealed that there are no contracts in place with the suppliers. In each case, the supplier invoices DFAIT for the storage space used during the month at a rate determined by the supplier. This practice is not in accordance with TB contracting and financial policies and procedures. We were informed that SXMP plans to go tender for commercial warehouse space. As SXM is charged by the square foot and the Departmental standing offers are by the cubic foot, it is difficult to conclude on the relative cost of this.



**FOLLOW-UP AUDIT
OF
MATERIEL MANAGEMENT**

HEADQUARTERS ADMINISTRATIVE SERVICES DIVISION - SRA

PHYSICAL RESOURCES BUREAU - SRD

September 2000

Audit Division (SIV)

EXECUTIVE SUMMARY

The objectives of the audit are to assess the degree and reasonableness of the corrective measures that were implemented by SRA management in response to recommendations made in the 1996 audit of Materiel Management and to formulate additional recommendations, where required. Our review included interviews with SRA management and Procurement Officers, an examination of the stores operation, as well as a review of pertinent documentation.

Recommendations in the last audit focused on exploring the integration of all general HQ procurement under SRA, on the reduction of inventory holdings, on the high number of suppliers and on a more cost effective method of operating HQ storerooms.

Of the nine recommendations made in the 1996 audit, we found that four have been implemented, one is no longer applicable, three have been partially implemented and one has not been implemented. Overall, the implementation of these recommendations has contributed to clarifying roles, responsibilities and accountabilities for the Headquarters procurement process for stationery and supplies. Improvements to current business practices of the stores operations are required to increase cost effectiveness. Despite significant changes in warehousing activities in the Department, a review of these activities should be undertaken with a view to adopting a corporate approach to warehousing which involves all Directorates.

Since the previous audit, a number of changes have taken place in the organization:

- Roles, responsibilities and authorities have been defined and are soon to be communicated to all Headquarters staff via the Intranet, along with SRA's mission and mandate.
- In 1996, SRA conducted a review of warehousing operations at Headquarters. Recommendations were formulated and implemented in an attempt to improve the storage and control of inventories.
- PWGSC Standing Offer Agreements (SOAs) for warehousing are used by SRAM.

APPENDIX B

- A draft policy for Low Value Assets suggesting that assets under \$1000 not be recorded and tracked, has been developed but has yet to be approved by the Materiel Management Committee and promulgated.

The conclusions of the follow-up team are that:

- Overall SRA roles, responsibilities and authorities have been defined and are planned to soon be posted on the Intranet, along with SRA's mission and mandate. Headquarters Materiel Support Section (SRAM), which handles all Headquarters procurement of general goods, stationery and supplies, and furniture, including the physical moves of furniture, is facing a very high volume of activity.
- SRA maintains and operates a supplies store at the Pearson Building. The current system of using a service counter approach and the stores operation is problematic. SRAM provides some control on the quantities of items picked up from the store or used by clients. Items are provided to clients at no cost. To improve the cost-effectiveness of store operations, we recommend certain improvements to current business practices of the stores operations:
 - Decentralize the Headquarters budget for supplies at the RC level and implement a charge-back procedure. The use of IMS should alleviate any administrative burden that the charge-back procedure could cause.
 - Restrict the authority for picking up office supplies at the store to individuals identified and authorized at the RC level.
 - Implement an improved inventory management/point-of-sale system, linked to IMS, within the stores operations to better manage inventory levels, stock location and storage space utilization. This would also facilitate the deployment of a product catalogue which has also been recommended.

We note that SRA management is planning to review the issue of store operations this fiscal year.

- A draft policy for Low Value Assets suggesting that assets under \$1000 not be recorded and tracked has been developed. Although it has not yet been approved, the \$1000 threshold is being respected. Once approved, the new policy should be disseminated to the Department. In addition, key highlights of the new policy should be communicated to all employees and a reference made to its accessibility on the Intranet.

APPENDIX B

- The issue of warehousing was also addressed during our review. PWGSC SOAs are in place for the Department. These agreements for warehousing services could be used by all Headquarters Directorates. Other units are currently leasing their own warehousing space, with the result that there are significant variances in the rates being paid to the different suppliers. Monitoring and control of items stored at these various warehouses is also weak.
- We are recommending that a more detailed review of warehousing activities and practices at Headquarters be conducted to assess the best option for the Department. This study should take into account the specific needs related to different types of equipment that are being stored, such as computers and security equipment. The Materiel Management Committee should address this issue from a corporate point of view and ensure that all relevant Directorates are involved and participate in the study.



**FOLLOW-UP AUDIT
OF
MATERIEL MANAGEMENT**

PROCUREMENT SERVICES DIVISION - SRM

PHYSICAL RESOURCES BUREAU - SRD

September 2000

Audit Division (SIV)

EXECUTIVE SUMMARY

The objectives of the audit are to assess the degree and reasonableness of the corrective measures that were implemented by SRM in response to recommendations made in the 1996 audit of Materiel Management and to formulate additional recommendations where required. This review included interviews with SRM management and staff and a review of pertinent documentation.

Recommendations in the last audit focussed on the inefficiency of services provided by the Division due in large part to administrative issues such as processing problems, excessive number of suppliers, disorganized Standing Offer Agreements (SOAs) and the lack of necessary information prior to the full implementation of the Materiel Procurement Support System (MPSS). The previous audit was also concerned with the excessive level of the furniture and appliance stockpile.

Of the 21 recommendations made in the 1996 audit, 12 have been implemented, three are no longer applicable, four have been partially implemented and two have not been implemented. Overall, the Section has significantly improved its processes and procedures. However, service standards have yet to be developed and the performance indicators used in the performance standards need to be updated. The Division does not have a formalized workload monitoring system.

Since the previous audit, a number of changes have taken place in the organization:

- A reorganization of the Division has resulted in the creation of a Deputy Director of Operations position and a distribution of work along geographic lines. Three logistics support sections have been created to service missions abroad.
- The sections are staffed by Logistics Officers whose duties now encompass procurement, accounts payable and shipping.
- The Foreign Affairs Consolidated Transportation System (FACTS) was implemented to replace the Materiel Procurement Support System (MPSS).
- The Integrated Management System (IMS) has been implemented.
- An agreement has been entered into with a single freight forwarder for a period of three years with an option to renew for an additional two years. A representative of the freight forwarder is on-site full-time in the SRMS Section.

APPENDIX C

The conclusions of the audit team are:

- The function is currently well managed. Staff is well trained and communications have improved greatly. The Logistics Officers positions are functioning well. Training in core competencies has been provided and a certification program for purchasers is currently under development at Treasury Board. SRM should ensure all purchasers undertake this certification program.
- Service standards now need to be developed for the Division and communicated to all clients. A client satisfaction survey should then be completed to gauge the effectiveness of the service.
- Performance standards were developed for SRM in 1997. However, with the introduction of data now captured in IMS and in FACTS, the performance indicators on which the performance standards are based need to be reviewed.
- Workload monitoring is effective in large part due to the experience and knowledge of the current Deputy Director. The FACTS system and IMS have significantly facilitated some of the monitoring function.
- The SOAs have been reviewed and reorganized and are readily accessible.
- SRM should compile a source list by supplier and by commodity. This recommendation was made in the previous audit and at the time of the follow-up audit had not been acted upon. The audit team was advised that a request has since been made for a summer student whose task would be to compile this list.
- The furniture and appliance stockpile has been reduced from \$1.46M to \$400K. SRM no longer stockpiles appliances.
- A physical count of the stockpile inventory should be conducted on an annual basis.



FOLLOW-UP AUDIT
OF
MATERIEL MANAGEMENT

WAREHOUSE MANAGEMENT AND TRANSPORTATION SECTION - SRMS

MATERIEL SERVICES DIVISION - SRM

PHYSICAL RESOURCES BUREAU - SRD

September 2000

Audit Division (SIV)

EXECUTIVE SUMMARY

The objectives of the audit were to assess the degree and reasonableness of the corrective measures that were implemented by SRMS in response to recommendations made in the 1996 audit of Materiel Management and to formulate additional recommendations, where required. This review included interviews with SRMS staff, a review of file documentation and a visit to the SRMS warehouse.

Recommendations in the last audit focussed on ineffective management and inefficient administrative procedures of the Section. Particular issues were raised concerning the cumbersome selection process used for freight forwarders, the ineffectiveness of the Materiel Procurement Support System (MPSS) and the heavy emphasis on air (rather than sea) shipments, which at the time represented 75 percent of total shipments.

Of the 24 recommendations made in the 1996 audit, 12 have been implemented, 11 are no longer applicable and one has been partially implemented. Overall, the Warehouse Management and Transportation Section (SRMS) has significantly improved its management, its communications and its efficiency and effectiveness. The Section, however, still needs to develop service standards and communicate them to its clients.

Since the previous audit, a number of changes have taken place in the organization:

- The Section has been reorganized and now has two Transportation Officers. The officers report to the Deputy Director who is responsible for operations, transportation and warehousing of the Materiel Services Division (SRM). Transportation services for the Interior Design Unit (SRPD) are being provided by SRMS.
- The Foreign Affairs Consolidated Transportation System (FACTS) was implemented to replace the Materiel Procurement Support System (MPSS).
- The Integrated Management System (IMS) has been implemented.
- The SRMS warehouse contract is no longer with a Montreal firm. The contract was awarded to an Ottawa firm to consolidate warehousing operations in one location.

APPENDIX D

- An agreement has been entered into with a single freight forwarder for a period of three years with an option to renew for an additional two years. A representative of the freight forwarder is on-site full-time in SRMS.
- The shipping budget has been devolved to the missions. SRMS makes recommendations as to the most cost effective means of shipping but the choice of shipping mode remains with the missions. In 1999/00 air shipments represented 27 percent of the total shipments.

The conclusions of the follow-up audit team are that:

- The function is now well managed. Staff are well trained and communications have improved.
- Workload standards were recommended in the 1996 audit but have not yet been developed. As a result of the reorganization and the implementation of FACTS, management has increased its monitoring capacity. Productivity is high. No workload issues were identified during the course of the follow-up audit. The Section, however, should introduce service standards and communicate them to its clients.
- The on-site single freight forwarder process is working well and has resulted in increased client satisfaction.
- MPSS has been replaced by IMS and FACTS. While IMS continues to pose some difficulties to its users due to the inherent complexity of the system, the implementation of FACTS has been successful and provides increased control over workload and warehoused goods.
- Air shipments have been reduced due largely to the fact that the budget for shipping has been devolved to the Missions.
- Crating has been significantly reduced. Almost everything is loose loaded into containers. This approach has resulted in \$150K being saved annually.



FOLLOW-UP AUDIT
OF
MATERIEL MANAGEMENT

INTERIOR DESIGN SERVICES - SRPD
PROJECT IMPLEMENTATION DIVISION - SRP
PHYSICAL RESOURCES BUREAU - SRD

September 2000

Audit Division (SIV)

EXECUTIVE SUMMARY

The objectives of the audit are to assess the degree and reasonableness of the corrective measures that were implemented by SRPD management in response to recommendations made in the 1996 audit of Materiel Management and to formulate additional recommendations where required. This review included interviews with management and interior designers, as well as a review of pertinent documentation that was provided to us.

Recommendations of the last audit focused on the need for a workplan which sets out priorities and associated costs, for increased project control, for fewer designers, and for reducing the inventory which consisted mainly of office furniture.

Of the 13 recommendations made in the 1996 audit, nine have been implemented, two are no longer applicable and two have been partially implemented. Overall, an improved management framework is now in place within SRPD. However, additional procedures should be instituted to ensure increased communication and better planning with the missions.

Since the previous audit, a number of changes have taken place in the organization:

- The planning and monitoring process for design activities has been formalized and strengthened. A long-term refurbishing plan for missions and Official Residences (OR), which is based on a 15 year life expectancy cycle, is now in place.
- Financial forecasting for projects now includes an Itemized Budget Breakdown (IBB). IBBs have contributed to make project forecasting more accurate.
- On-going project monitoring is performed by the Program Manager, who meets regularly with each Designer to discuss projects.
- New procedures have been developed and implemented to ensure designers present a detailed and complete refurbishment project proposal to the SRPD Program Manager prior to the start of any procurement.

APPENDIX E

The conclusions of the follow-up audit team are that:

- While significant improvement was noted in the area of planning and monitoring of the work, there are still minor issues that need to be addressed. For instance, SRPD management indicated that, in order to eliminate possible misunderstandings with missions/clients, Memoranda of Understanding (MOUs) are now in place for each design project. While we found evidence of electronic correspondence exchanged between SRPD and missions, the correspondence does not constitute an MOU. In the current process, clients/missions are not required to either respond or agree with the proposed work and/or furniture. Therefore, we recommend that SRPD ensure that correspondence with the client/missions clearly indicates a mutual understanding of the scope, cost and timing of the proposed SRPD projects.
- The missions still need to be reminded on an on-going basis of their role and of SRPD's role and responsibility for design control areas, as it is very difficult for SRPD to effectively monitor work performed by missions in this area. The high turnover of staff at missions requires that a permanent mechanism be in place to ensure adequate awareness and understanding of roles, responsibilities and accountabilities for design control areas. To this effect, we are recommending that SRPD remind missions of roles and responsibilities on an on-going basis.
- SRPD conducted a review of the designers work activities in 1998/99. Over time, the workload of designers has increased. As a result, in addition to the current eight indeterminate designers, an additional designer has been approved on a term basis, as have two indeterminate design assistants. The design assistant positions should allow for better utilization of the designers' time.
- The inventory of office furniture has been eliminated.



FOLLOW-UP AUDIT
OF
MATERIEL MANAGEMENT

BUSINESS MANAGEMENT DIVISION - SXM
INFORMATION MANAGEMENT
AND TECHNOLOGY BUREAU - SXD

September 2000

Audit Division (SIV)

EXECUTIVE SUMMARY

The objectives of the audit are to assess the degree and reasonableness of the corrective measures which were implemented by SXM management in response to recommendations made in the 1996 audit of Materiel Management and to provide additional recommendations where required. Since the previous audit, responsibility for informatics and telecommunications has been divided between SXM, SXTT and SXTV. This review included interviews with SXM, SXTT and SXTV management and Procurement Officers, as well as a review of pertinent documentation that was provided to us.

Recommendations in the last audit focused on improving the efficiency of materiel management and a need to adopt more contemporary techniques in acquisitions practices and in managing materiel supplies.

Of the 15 recommendations made in the 1996 audit, eight have been implemented, five have been partially implemented and two are no longer applicable. In addition, the issue of warehousing should be addressed at the Materiel Management Committee (MMC) level. Overall, the implementation of recommendations has contributed to streamlining and simplifying the procurement process within SXMP.

Since the previous audit, a number of changes have taken place in the organization:

- National Individual Standing Offers (NISOs) have been created to enable SXMP to acquire goods more cost-effectively. There are now fewer suppliers who handle a larger volume of transactions.
- PWGSC has increased the ceiling limit for individual purchases from \$2.5K to \$5K, reducing the volume of procurement transactions processed by SXMP.
- All four stores have been consolidated into one located at Pearson building.

APPENDIX F

The conclusions of the follow-up audit team are that:

- The procurement process is now easier, as there are fewer suppliers to handle a larger business volume. National Individual Standing Offer Agreements (NISOs), which are for the exclusive use of the Department, have been established with these suppliers. SIV calculates that these NISOs have resulted in savings of approximately \$1.8M over the past three to four years.
- Contract splitting has been significantly reduced, if not eliminated, as a result of the increase of the ceiling for Local Purchase Orders from \$2.5K to \$5K. More recently, SXM has requested that the ceiling be increased to \$10K in order to further reduce the volume of procurement documents. At the time of this review, no response had been received from PWGSC.
- A draft Asset Management policy has been developed. The policy clarifies roles, responsibilities and authorities as they relate to asset management. The issue of an Asset Tracking System, however, still needs to be addressed. The current SXM application, Corp Apps Asset Management System, needs to be upgraded. SXM, however, is awaiting a departmental decision from the Corporate Management Systems, Policy and Reporting Division (SMS) regarding an Asset Management Application that is compatible with IMS and that meets all Departmental needs. We are recommending that SXM remain in contact with the IMS development team on the acquisition of a commercial application.
- SXM leases space in two commercial warehouses. The audit revealed that there are no contracts in place with the suppliers. In each case, the supplier invoices DFAIT for the storage space used during the month at a rate determined by the supplier. This practice is not in accordance with TB contracting and financial policies and procedures and this has resulted in SXM paying rates which differ from those rates paid elsewhere in the department. The rates are calculated on a square foot as opposed to a cubic. We were informed that SXMP plans to go tender for commercial warehouse space. The issue of departmental warehousing should be addressed at the MMC.