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# Audit of Contract Management by the Sectors

## AUDIT REPORT

PROJECT #05/06 01-02

**Prepared by the  
Audit, Evaluation and Review Directorate**

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## EXECUTIVE SUMMARY

The general objective of this audit project was to ascertain whether the contract management framework in place in the sectors was fulfilling its purpose, ie, that it was being used to ensure that goods were delivered, services rendered and work done, and that the price paid was in accordance with the terms and conditions of the contracts.

During our audit we examined 27 contracts worth between \$25,000 and \$25,000,000.

The audit findings showed that for 19 of the 27 contracts examined, the deliverables specified in the contracts had indeed been received. In eight cases, or nearly 30% of our audit sample, we noted irregularities. In certain cases, the deliverables specified in the statement of work had not been received, either in whole or in part and in others, we found that there was a risk of developing an employer/employee relationship.

With respect to the price paid and the basis of payment, our audit revealed that for 23 of the 27 contracts examined, the price paid was consistent with the basis of payment specified in the contract. In four cases, or nearly 15% of our audit sample, the basis of payment was breached. In one case, the breach of the basis of payment resulted in a \$149,362 overpayment.

The following points require particular attention to ensure sound contract management:

- Staff from the sector financial services and central accounting as well as managers should assume the roles and responsibilities vested in them, as specified in the CSA Policy on *Account Verification*.
- Sector financial services staff should conduct account verifications pursuant to section 34 of the *Financial Administration Act (FAA)* in accordance with Appendix C of the CSA Policy on *Account Verification*.
- Managers certifying the merits of a request for payment pursuant to section 34 of the *FAA* must first ascertain whether they possess the necessary financial authorities. Sector financial services and accounting services must verify that the manager making the certification under section 34 has the required delegated authority to do so.
- Managers are responsible for monitoring incurred costs associated with contracts to ensure compliance with the contract's financial limits.
- To ensure an adequate audit trail, sector financial services and central accounting staff should properly document the nature and scope of the account verification carried out.

This internal audit was conducted in accordance with the Treasury Board Secretariat (TBS) *Internal Audit Policy* and the Institute of Internal Auditors (IIA) *Standards for the Professional Practice of Internal Auditing*. In our professional opinion, the audit procedures followed and the evidence gathered are appropriate and sufficient to support the accuracy of the conclusions set out in this report. The conclusions are based on an examination of situations using established auditing criteria.



## MANDATE DESCRIPTION

### 1.0 INTRODUCTION

#### 1.1 RATIONALE FOR THE AUDIT

This audit is part of the 2005–2006 audit plan approved by the Audit Committee.

#### 1.2 AUDIT OBJECTIVE

The general objective of this audit project was to ensure that the contract management framework in place in the sectors was fulfilling its purpose, ie, that it was being used to ensure that goods were delivered, services rendered and work done, and that the price paid was in accordance with the terms and conditions of the contracts.

See Appendix A for more specifics on the audit objectives and the criteria used.

#### 1.3 SCOPE

During our audit, we examined 27 contracts worth between \$25,000 and \$25,000,000 managed by the sectors during the 2004–2005 and 2005–2006 fiscal years.

#### 1.4 METHODOLOGY

This audit was conducted in accordance with the audit standards set out in the TBS *Internal Audit Policy* and the Institute of Internal Auditors (IIA) *Standards for the Professional Practice of Internal Auditing*, which require the setting of audit objectives supported by audit criteria.

Audit standards also require that the audit mission be carried out in a structured manner using a process that includes the following:

- A preliminary planning and review phase
- An execution phase
- A phase with disclosure of results

A number of audit procedures were used, such as staff interviews and the examination and analysis of documents, records and reports.

#### 1.5 BACKGROUND

A presentation on strengthening internal controls made by the Audit, Evaluation and Review Directorate (AERD) to the Executive Committee in August 2004 emphasized the importance of clear roles and responsibilities with respect to contract management (see table in Appendix A). It was also mentioned during the presentation that the roles and responsibilities of staff who manage contracts should be fulfilled in a manner that meets internal control requirements.

This audit of the contract management framework in place in all the sectors made it possible to determine whether the roles and responsibilities of the staff in question are properly understood and uniformly exercised to ensure the best use of public funds.



## AUDIT RESULTS

### 2.0 CERTIFICATION OF PERFORMANCE OF WORK AND RISK OF DEVELOPING AN EMPLOYER/EMPLOYEE RELATIONSHIP

One of the two objectives of this audit was to verify that goods had been delivered, services rendered and work performed in accordance with the terms and conditions of the contract.

To that end, we closely studied the deliverables received under each of the 27 contracts we examined. We compared the goods and/or services received with those specified in the statement of work.

In all cases, we also confirmed that the manager in charge of the contract had indeed certified the request for payment pursuant to section 34 of the *FAA*, thereby certifying that the goods and/or services had been received or that the work had been performed in accordance with the terms of the contract.

Our audit showed that in 19 of the 27 contracts examined, the deliverables identified in the contracts had been received. In eight cases, or nearly 30% of our audit sample, we noted irregularities. In certain cases, the deliverables specified in the statement of work had not been received, either in whole or in part and in others, we found that there was a risk of developing an employer/employee relationship.

Table 1 presents the irregularities observed with respect to deliverables in each of those eight cases.

TABLE 1 – IRREGULARITIES		
CONTRACTOR	CONTRACT VALUE	COMMENTS
<b>Case 1</b> Space Programs (October 2004)	\$413,844	<b>Progress reports have not been received.</b> The manager in charge of the contract told us the reports had not been requested since the employees assigned to the project by the contractor were closely supervised by the contract manager. The manager also stated that the contractor's employees were members of the project team on the same footing as CSA employees. <b>Risk of developing an employer/employee relationship.</b>
<b>Case 2</b> Space Technologies (May 2004)	\$30,736	<b>The statement of work included a list of tasks to carry out rather than specifying deliverables per se.</b> These were professional intellectual property (IP) services. The manager told us the work took the form of temporary assistance to carry out tasks relating to IP management. <b>Risk of developing an employer/employee relationship.</b>



TABLE 1 – IRREGULARITIES		
CONTRACTOR	CONTRACT VALUE	COMMENTS
<b>Case 3</b> Space Technologies (March 2005)	\$25,680	This was an eight-month contract for the services of a <b>marketing administrator</b> . <b>Risk of developing an employer/employee relationship.</b>
<b>Case 4</b> Space Programs (February 2005)	\$1,025,029	One of the requirements in the statement of work is that a financial report be submitted using form PWGSC 9143. <b>The February 2005 report was not available</b> . Moreover, <b>the required form was not used</b> .
<b>Case 5</b> Communications and Public Affairs (May 2005)	\$60,669	<b>The quarterly reports specified in the contract were not submitted</b> . The manager told us the contractor was closely supervised and, for that reason, he had felt it was not necessary to request quarterly reports. <b>Risk of developing an employer/employee relationship</b> . The services rendered were associated with tasks performed by a senior Web programmer–developer. A staffing process is under way to staff the Web programmer–developer position.
<b>Case 6</b> Space Technologies (January 2006)	\$351,881	<b>The interim report was received on August 11, 2004 when, according to the contract, it should have been received two weeks prior to the contract end date of July 31, 2004</b> . In addition, a payable at year-end (PAYE) was entered in March 2005. Consequently, the final version of the report should have been submitted by March 31, 2005 at the latest. The final version (2nd revision) was dated August 12, 2005. <b>At the time the PAYE was entered, the final version of the report had not been received</b> ; only an interim version had been submitted.
<b>Case 7</b> Space Science (March 2004)	\$41,219	The contract specified that monthly task progress reports would be submitted, as would a final report for each task. We were able to obtain the monthly reports, but management <b>told us no final report was produced for this call-up</b> .



TABLE 1 – IRREGULARITIES		
CONTRACTOR	CONTRACT VALUE	COMMENTS
<b>Case 8</b> Information Management and Information Technologies (November 2004)	\$39,590	This was an ink cartridge supply contract that included preventive maintenance and cleaning. <b>The cleaning and preventive maintenance portion of the work was not performed regularly as specified in the contract.</b>

In August 2004, the AERD made a presentation to the Executive Committee during which it emphasized the importance of introducing effective internal controls to ensure that goods were delivered, services rendered and work done for every contract.

The AERD emphasized the importance of ensuring that:

- ✓ Contracts include the appropriate terms and conditions.
- ✓ Those involved in approving payments to contractors fully assume their roles and responsibilities with respect to each step in the approval process:
  - Certification of completion
  - Verification of compliance
  - Approval for payment
- ✓ Internal controls are clearly documented.

The shortcomings described in Table 1 with respect to deliverables mainly occurred after August 2004, when the AERD sent senior management a reminder about the importance of internal controls.

Everyone involved in the payment approval process must be aware of their roles and responsibilities and exercise them with diligence to ensure that:

- ✓ Work is done, goods received and services rendered.
- ✓ The deliverables are in compliance with what was specified in the contract.
- ✓ All required approvals have been obtained before payment is issued.

The table in Appendix A describes the roles and responsibilities of all those involved in the payment approval process.

## **RECOMMENDATIONS**

SPACE PROGRAMS, SPACE TECHNOLOGIES, SPACE SCIENCE  
 COMMUNICATIONS, INFORMATION MANAGEMENT AND INFORMATION TECHNOLOGY  
 FINANCE



- i) **Managers, as well as staff from the sector financial services and accounting services should assume the roles and responsibilities assigned to them in the CSA Policy on *Account Verification*.**

## FINANCE

- ii) **Sector financial services staff should verify accounts pursuant to section 34 of the *FAA* in accordance with Appendix C of the CSA Policy on *Account Verification*.**





### 3.0 CONTRACT TERMS AND CONDITIONS

#### 3.1 BASIS OF PAYMENT

The second objective of this audit was to ensure that the price paid was in accordance with the terms and conditions of the contract.

When we examined the 27 contracts, we compared the request for payment with the contract's basis of payment to see if the two matched.

The audit showed that for 23 of the 27 contracts examined, the price paid was in accordance with the basis of payment set out in the contract. However, in four cases, or nearly 15% of our audit sample, the basis of payment was not followed. In one case, failure to comply with the basis of payment resulted in an overpayment of \$149,362.

Table 2 describes the four cases of non-compliance with the basis of payment.

TABLE 2 – PRICE PAID NOT IN COMPLIANCE WITH THE BASIS OF PAYMENT		
CONTRACTOR	OBSERVATIONS	IMPACT
<b>Case 1</b> Space Operations	Subparagraph 1.(a)(iii) of the basis of payment stated that there would be a 5.4% holdback on all items, with the exception of overtime, for which a 25% holdback would apply. We found that the September 2005 invoice <b>included charges for overtime for which the 25% holdback was not applied.</b>	No financial impact at contract expiry.
<b>Case 2</b> Space Technologies	The basis of payment used for claims 6, 7 and 8 did not show a 31.87% contractor's share as specified in the contract, but rather a different percentage on each claim. This was due to the fact that the contract featured two basis of payment, which were combined for claim purposes.	No financial impact at contract expiry.
<b>Case 3</b> Security and Facilities	The basis of payment specified that the contract would bill 7% for administrative costs and profit on subcontracting costs and purchases of materials. The contractor billed 7% on all costs.	Financial impact: <b>overpayment of \$149,362.</b>
<b>Case 4</b> Space Programs	The basis of payment specified that the contractor could bill for the actual costs associated with the fees of specific subcontractors (labour and	No financial impact according to additional information obtained from the contracting authority.



TABLE 2 – PRICE PAID NOT IN COMPLIANCE WITH THE BASIS OF PAYMENT		
CONTRACTOR	OBSERVATIONS	IMPACT
	administration). <b>The subcontractor added a 10% profit to the invoice. The 10% profit is not mentioned in the basis of payment.</b>	

In three of the four cases where the basis of payment were not followed, PWGSC was the contracting authority and performed the claim verification before submitting the claims to the manager for approval.

With respect to the last case, we asked the PWGSC contracting officer why the 10% profit invoiced by the subcontractor had been approved when there was no mention of it in the basis of payment.

The contracting officer told us it was standard practice to include an estimate of subcontracting costs (ie, labour, administration, etc) in the basis of payment. Indicating a profit percentage was not standard practice even if it was acceptable to bill for a profit in cases where the contractor dealt with a subcontractor. In this instance, the contracting officer told us the subcontractor's rates as indicated in the basis of payment were for information purposes only and that despite the fact that no mention of profit was made in the basis of payment, it was the intention of the contracting authority to authorize such a profit.

The PWGSC contracting officer told us that in future, particular attention would be paid to this aspect of the basis of payment to avoid confusion.

It should be noted that the account verification conducted by the accounting services (central accounting) did not bring to light the fact that the request for payment was not in accordance with the basis of payment in the contract.

We also noted that in one case, the manager signed the request for payment pursuant to section 34 of the *FAA* before the finance clerk had even examined the invoice to check the calculations and ensure that the amount invoiced was in accordance with the basis of payment. The usual procedure is to have the sector finance clerk check the invoices before submitting them for section 34 signing by the manager.

### **RECOMMENDATIONS**

SPACE OPERATIONS, SPACE TECHNOLOGIES AND SPACE PROGRAMS  
SECURITY AND FACILITIES

- i) **Managers signing requests for payment pursuant to section 34 of the *FAA* should make sure that the goods have been received, services rendered, work done and that the amount invoiced is in accordance with the basis of payment in the contract.**

FINANCE

- ii) **When verifying accounts, the accounting services should among other things, ensure that the amount invoiced is in accordance with the basis of payment in the contract.**



### 3.2 OTHER TERMS AND CONDITIONS

In general, we verified that the requests for payment complied with the terms and conditions of the contracts.

Our audit of one of the contracts showed that a clause pertaining to subcontracting costs and the purchasing of materials had not been respected.

The contract specified that if the contractor dealt with subcontractors for some work or for the purchasing of materials, the CSA would ask the contractor to obtain estimates from subcontractors in relation to the projected value of the purchase, using the following protocol:

- ✓ One for work or procurement valued at less than \$10,000.
- ✓ Three for work or procurement valued at \$10,000 to \$50,000.
- ✓ Five for work or procurement valued at more than \$50,000.

Our examination of ten requests for payment showed that the number of bids attached to the requests was lower than required in six out of ten cases.

This means that the CSA may not have gotten the best price on goods and/or services purchased as part of this contract.

#### **RECOMMENDATIONS**

SECURITY AND FACILITIES

**Managers must make sure they have all the required bids on hand when analysing the contractor's proposals before issuing an order for a specific project.**



#### 4.0 DELEGATION OF FINANCIAL AUTHORITY

Government policy is to entrust its ministers and deputy heads with the responsibility of delegating their decision-making authority to operational and financial managers. When delegating his or her authority, the deputy head must ensure proper distribution of financial authorities to ensure appropriate control.

Financial authorities are delegated through specimen signature cards indicating that the authority being delegated is either “full” or, when the scope of the delegation is to be limited, specifying a dollar amount.

In the course of our audit, we verified that the managers certifying requests for payment under section 34 of the *FAA* had the required financial authority.

Out of the 27 contracts examined, we found one instance where the person certifying the request for payment under section 34 did not have the required financial authority.

In one case, the manager signed a request for payment for just over \$1.5M, while his delegation was limited to \$1M.

It should be noted that this request for payment was seen by:

- ✓ The sector finance clerk who is supposed to make sure the manager providing the section 34 signature has the authority to do so.
- ✓ The accounting services clerk who, for account verification purposes, is supposed to make sure the person providing the section 34 signature has the authority to do so (this request for payment was part of the audit sample).
- ✓ The payment officer of the accounting services who is supposed to verify the items marked with an asterisk on the Section 34 *FAA* checklist (Appendix C of the CSA Policy on *Account Verification*). He should, among other things, ensure that the signature of an authorized delegate appears on the invoice.

#### RECOMMENDATIONS

##### SPACE PROGRAMS

- i) **Managers certifying requests for payment pursuant to section 34 of the *FAA* must first make sure they have the required financial authority to do so.**

##### FINANCE

- ii) **Sector financial services and accounting services must make sure that the manager who signed under section 34 of the *FAA* has the required financial authority to do so.**



## 5.0 ACCOUNTING OF FINANCIAL TRANSACTIONS

In its September 2005 report on the Space Technologies Branch management framework, the AERD recommended that expenditures incurred by the Agency be posted to the correct accounts based on their nature.

An analysis of the accounting process applied to the 27 contracts examined showed that in six cases, there were inconsistencies between the credits allocated on the basis of the nature of the activities and projects carried out and accounting entries in the general ledger account (G/L).

As shown in Table 3, in those six cases, capital appropriations were used for activities and costs were entered in a general ledger expense account. The rule in accounting of financial transactions is that when a capital appropriation is used, the transaction is recorded in a general ledger tangible asset account (eg, work in progress – tangible assets) and not in an expense account.

The six cases we found occurred between May 2004 and October 2005. We are aware that the AERD's recommendation in its September 2005 report may not have been implemented for the contracts examined.

<b>TABLE 3 – ACCOUNTING OF FINANCIAL TRANSACTIONS</b>		
<b>CONTRACTOR</b>	<b>FUND (CAPITAL)</b>	<b>GENERAL LEDGER ACCOUNT (EXPENDITURE)</b>
<b>Case 1</b> Space Programs (December 2004)	301	1460 – Science services – Not including consultants/ Earth and space science
<b>Case 2</b> Space Programs (February 2005)	301	1419 – Technical services – Technical support
<b>Case 3</b> Space Programs (October 2005)	301	1419 – Technical services – Technical support
<b>Case 4</b> Space Technologies (March 2005)	301	2575 – Expenditure – Satellite construction
<b>Case 5</b> Space Operations (May 2004)	301	2165 – Computer equipment – Hardware and software
<b>Case 6</b> Space Science (May 2004)	301	1419 – Technical services – Technical support



The above observations about the accounting of financial transactions are presented for information purposes only. No recommendations are made here because according to the March 31, 2006 *Annual Follow-up Report of Management Action Plans*, it was noted that management has already taken steps to ensure that expenditures are recorded in the appropriate accounts based on their nature.



## 6.0 EXCEEDING OF CONTRACT DOLLAR LIMITS

During the audit, we paid close attention to the dollar limits of the contracts to ascertain whether they had been respected and, if not, to make sure the contracts had been amended.

Our audit showed that in general, contract management was appropriate when it came to dollar amounts. However, we found one instance where costs were exceeded without corresponding changes to the contract. This was a contract of 10M\$ where costs of \$1,123,665 in excess of the contract dollar limit were incurred without amendments to the contract.

The contract in question was for construction services on a as and when required basis. We found that even after the contract reached its dollar limit, the contract manager continued to authorize work.

According to information obtained from the Security and Facilities manager, a “parallel” accounting system was used that was supposed to monitor purchase orders and payments. However, since the system was not up to date, cost overruns resulted.

In spite of the “parallel” accounting system, amendments number 4, 5 and 6 to the contract were made after the fact to raise the dollar amount, ie, once it became clear that the dollar amount had been exceeded.

According to information obtained from financial systems staff and the Security and Facilities manager, at the start of the contract, it was decided that the financial portion of the contract would be handled through the financial system using manual monthly commitments. Entering multiple monthly commitments instead of the total commitment amount had for consequence not to display the total amount of the contract for the monthly commitments.

It was the manager’s responsibility to monitor costs incurred monthly for that contract to avoid cost overruns.

To date, discussions have been initiated between CSA and PWGSC’s Montreal office to regularize the situation.

### RECOMMENDATIONS

#### SECURITY AND FACILITIES

- i) **Monitor costs incurred to ensure that contract dollar limits are not exceeded.**
- ii) **Regularize the situation with PWGSC with respect to the exceeding of the dollar limit of the contract in question.**

## 7.0 CERTIFICATIONS BY FINANCIAL SERVICES

Our review of invoicing related to the 27 contracts audited led us to examine the extent of the verification performed by financial services staff.

Our examination of the invoices shows that the only evidence of the verification carried out by the sector finance clerks is their initials and a tick mark (✓).

The tick marks did not enable us to determine the nature of the verification that had been performed.

Some clerks told us that the presence of a tick mark meant that the steps in the checklist pertaining to the *Section 34 of the FAA* (Appendix C of the CSA Policy on *Account Verification*) had been followed.

In one case, we found that the sector finance clerk had verified the invoices after the manager had provided a section 34 signature, which is contrary to the CSA Policy on *Account Verification*. Therefore, the manager did not have the benefit of the sector finance clerk's verification before signing under section 34.

Sufficient documentation of the scope of the verification conducted by sector financial services staff would provide an adequate audit trail while facilitating the work of the person certifying the performance of work under section 34 of the *FAA*.

In its September 2005 report on the Space Technologies Branch management framework, the AERD recommended that the nature and extent of the verification done be documented. To that end, as indicated in the March 31, 2006 *Annual Follow-up Report of Management Action Plans*, the Finance directorate has developed a stamp featuring the information needed by sector financial services and central accounting services staff to verify accounts. The stamp has not been universally adopted because of problems associated with its size, legibility and acceptance.

The stamp was recently put aside in favour of two new stamps containing the same information as the first, but which are smaller and more practical. We have been told that not all sector finance clerks are using the new stamps.

We examined the information on the stamps and noted that they contained no statement of the verification work performed by financial services staff.

For information purposes, here are some sample statements that could be placed on invoices to document the account verifications made.

***"Verification carried out in accordance with Appendix C of the CSA Policy on Account Verification"*** (full-length or abbreviated). The sector finance clerk could then sign or initial the statement to certify it. This would facilitate the work of the manager authorizing the payment under section 34 of the *FAA*.

With respect to the verifications conducted by central accounting services staff for payment under section 33, the statement might read ***"FAA sect 33 certified in accordance with the CSA Policy on Account Verification"*** (full-length or abbreviated). The payment officer in central accounting could then sign or initial the statement to certify it.

In this way, instead of simply seeing initials in several places on the invoice without knowing what they mean, a reader would be able to tell exactly what verification procedures had been followed.





**RECOMMENDATIONS**

FINANCE

**The nature and extent of verifications performed by sector financial services and accounting services staff should be clearly documented.**



**APPENDIX A – AUDIT OBJECTIVES AND CRITERIA**

The general objective of this audit project is to ascertain whether the contract management framework in place in the sectors is fulfilling its purpose, ie, that it is being used to ensure that goods are delivered, services rendered and work done, and that the price paid was in accordance with contract terms and conditions.

More specifically, the objectives are as follows:

Objective 1 Ensure that goods were delivered, services rendered and work done in accordance with contract terms and conditions.

Criterion 1.1 Work does not begin until the contract documents are duly signed.

Criterion 1.2 The goods and services provided are in compliance with contract conditions.

Criterion 1.3 Invoices submitted by the contractor include the required certifications from the competent authorities.

Criterion 1.4 The goods and services for which the contractor is invoicing have been inspected and accepted.

Criterion 1.5 The deliverables have been received.

Criterion 1.6 Appropriate supporting documents are provided with respect to fees paid for temporary services.

Objective 2 Ensure that the price paid is in accordance with contract terms and conditions.

Criterion 2.1 Invoices submitted by the contractor is subject to a compliance verification by the appropriate authorities.

Criterion 2.2 The price paid is in accordance with the basis of payment in the contract.

Criterion 2.3 Verification is carried out by the accounting services pursuant to section 33 of the *FAA* using the sampling plan.



APPENDIX A – AUDIT OBJECTIVES AND CRITERIA

**Roles and Responsibilities**

	Contracting Authority (PWGSC or CSA)	Scientific Authority	Sector Financial Services	Program Authority	Central Financial Services
Contract management	Contract terms Legal framework	Technical aspect of work (SOW)	Availability of funds Commitment	Requisition Initiation of expenditure Update of terms Fin. monit. & achieve.	
Claims		Technical content Progress			
	Method of payment Basis of payment	Authorizations/SOW Method of payment	Method of payment Basis of payment		
	Approval for payment			Compliant Received	Account verification

*Certification Pursuant to Section 34 of the FAA*

*Certification Pursuant to Section 33 of the FAA*



## APPENDIX B – MANAGEMENT ACTION PLAN

Ref	RECOMMENDATION	RESPONSIBILITY		ACTION PLAN DETAILS	TIMETABLE
		ORGANIZATION	POSITION		
	<b>2.0 CERTIFICATION OF PERFORMANCE AND COMPLIANCE OF WORK</b>				
i)	Managers, as well as staff from the sector financial services and accounting services should assume the roles and responsibilities assigned to them in the CSA Policy on <i>Account Verification</i> .	Space Programs	DG	<p><u>Space Programs</u></p> <p>All Space Programs delegated managers have passed the mandatory Public Service exam.</p> <p>These roles and responsibilities are periodically discussed at management committee meetings: a FINANCE standing item has been added to management committee meeting agendas.</p>	Immediately
		Space Technologies	DG	<p><u>Space Technologies</u></p> <p>As indicated in the follow-up on the Space Technologies Branch's management framework action plan that we submitted on December 31, 2005, a document defining the roles and responsibilities of scientific authorities (SAs) and project authorities (PAs) and describing the procedure to follow was drafted in co-operation with the sector's financial analyst and CSA and PWGSC contract administration officers. The document is available on the intranet.</p>	Completed
		Space Science	DG	<p><u>Space Science</u></p> <p>Before approving payment, we will ensure that all deliverables, including progress and final reports specified in the contracts, have been received, are in compliance with contract conditions and are in the files.</p>	Immediately
		Communications	Director	<p><u>Communications and Public affairs</u></p> <p>Over the last year, all Communications Managers took the mandatory Contracting, Financial Authorities and Human Resources training courses.</p> <p>Three Communications Managers and the Director successfully passed the Public Service certification exams before the deadline of September 30, 2006.</p>	Completed  Completed



Ref	RECOMMENDATION	RESPONSIBILITY		ACTION PLAN DETAILS	TIMETABLE
		ORGANIZATION	POSITION		
		IM and IT	CIO	<p>In collaboration with our CIO and Human Resources, a competition is currently planned in 2006-2007 at the CS-01 level to permanently staff a position within the Communications and Public Affairs Directorate. This function will in future assume the type of work that was contracted thus avoiding any other potential employer-employee conflict.</p> <p>Where, in future contracts, there is a requirement to produce quarterly reports, the appropriate Communications and Public Affairs manager will assure these reports are produced and made part of the permanent contract record.</p> <p><u>Information Management and Information Technology</u></p> <p>IM/IT management will ensure that all contracts renewed in IM/IT are checked in SAP or on the Public Works site by the team leader in charge of the contract. In all cases, their approval will be required before the subsequent order can be issued.</p>	<p>2006-2007</p> <p>Immediately</p> <p>Immediately</p>
				Finance	CFO



AUDIT OF CONTRACT MANAGEMENT BY THE SECTORS

AUDIT REPORT

Ref	RECOMMENDATION	RESPONSIBILITY		ACTION PLAN DETAILS	TIMETABLE
		ORGANIZATION	POSITION		
				<p>at committee meetings, including those of the clerks' and work atmosphere committees. Primarily with the clerks' committee, problem areas were identified and answers obtained from specialists. Reminders are also issued when central accounting finds recurring errors.</p> <p>On April 1, 2007, the improved sampling system will enable us to more accurately identify the most frequent errors or omissions in sector account audits. We will also be able to identify sectors with problems and prepare specific action plans, such as providing training or increasing the number of audit samples to ensure compliance with procedures.</p>	<p>controls starting on the date on which the improved sampling system will be operating and will allow to better target the training needs related to article 34 of the FAA</p>
ii)	Sector financial services staff should verify accounts pursuant to section 34 of the FAA in accordance with Appendix C of the CSA Policy on <i>Account Verification</i> .	Finance	CFO	<p>This item has been explained to our sector staff on a number of occasions and has been brought to the attention of the clerks' committee to not only review the steps in Appendix C, but also to ensure its application. For reminder purposes, a co-ordinator will be appointed within the next two months (February 2007).</p>	<p>Nomination of a person in charge in february 2007</p>



Ref	RECOMMENDATION	RESPONSIBILITY		ACTION PLAN DETAILS	TIMETABLE
		ORGANIZATION	POSITION		
	<b>3.0 CONTRACT TERMS AND CONDITIONS</b>				
	<b>3.1 BASIS OF PAYMENT</b>				
	i) Managers signing requests for payment pursuant to section 34 of the <i>FAA</i> should make sure that the goods have been received, services rendered, work done and that the amount of the invoice is in accordance with the basis of payment in the contract.	Space Operations	DG	<p><u>Space Operations</u></p> <p>Space Operations managers have been requested to comply with this recommendation and are expected to depend on the documented invoice verification by their financial officer pursuant to Appendix C on CSA P&amp;P No. 6.1.5 on Account Verification.</p>	Immediately
		Space Technologies	DG	<p><u>Space Technologies</u></p> <p>As stated in the follow-up to the management framework action plan submitted on December 31, 2005 by the Space Technologies Branch, all Space Technologies directors and managers received section 34 training on September 30, 2005. The Branch office organizes an annual awareness/information session at the beginning or end of each fiscal year.</p>	Completed
		Space Programs	DG	<p><u>Space Programs</u></p> <p>A detailed review process was developed using VISIO software, and its immediate implementation will be discussed by the Space Programs management committee.</p>	Immediately
		Security and Facilities	Manager S&F	<p><u>Security and Facilities</u></p> <p>All invoices submitted to managers for signing undergo prior verification by the Finance sector officer. Invoices are also accompanied by a copy of the contract and shipping order and are initialled by the S&amp;F employee in charge of compliance monitoring and by the administrative assistant in charge of processing S&amp;F invoices.</p> <p>Three employees in the sector who regularly monitor work or handle invoices were given finance training.</p>	Immediately

Ref	RECOMMENDATION	RESPONSIBILITY		ACTION PLAN DETAILS	TIMETABLE
		ORGANIZATION	POSITION		
ii)	When verifying accounts, the accounting services should among other things, ensure that the amount invoiced is in accordance with the basis of payment in the contract.	Finance	CFO	<p>Three of the four errors were PWGSC contracts where a PWGSC officer had verified the claims. A memo will be sent to PWGSC.</p> <p>Determine whether the sectors and/or central accounting should invest time in repeating PWGSC's verifications.</p> <p>Clarify the duties of the purchasing team, the sectors and central accounting with respect to verifying the basis of payment. Appendix C will be redrafted to include further details on the duties.</p> <p>The purchasing group will provide training for the sector finance teams and accounting so that clerks can be informed and made aware of this issue.</p>	<p>June 2007</p> <p>June 2007</p> <p>June 2007</p> <p>April 2007</p>
<b>3.2 OTHER TERMS AND CONDITIONS</b>					
	Managers must make sure to have all the required bids on hand when analysing the contractor's proposals before issuing an order for a specific project.	Security and Facilities	Manager S&F	<p>A construction contract such as that signed with the company in question is no longer in effect within S&amp;F. All construction services are now obtained through separate calls for bids.</p> <p>In the case of service requests through standing orders, a bid is obtained for analysis prior to issuing an order.</p> <p>The manager and his employees concerned are informed of the terms of contracts in place for their sector. A copy of the contract or the standing order is kept for ongoing reference in the administrative assistant's office.</p>	Immediately





Ref	RECOMMENDATION	RESPONSIBILITY		ACTION PLAN DETAILS	TIMETABLE
		ORGANIZATION	POSITION		
	<b>4.0 DELEGATION OF FINANCIAL AUTHORITIES</b>				
i)	Managers certifying requests for payment pursuant to section 34 of the <i>FAA</i> must first make sure they have the required financial authority to do so.	Space Programs	DG	The detailed review process developed with VISIO (as described in item 3.1 i), which also covers the delegation of financial authorities, will be discussed with each manager. At least twice a year, the sector financial officer will be invited to make presentations on the subject at the group meetings of each Space Programs director.	Immediately
ii)	Sector financial services and accounting services must make sure that the manager who signed under section 34 of the <i>FAA</i> has the financial authority to do so.	Finance	CFO	Awareness activities were conducted on this topic in October for members of the joint central accounting/sector financial operations working group. Sector financial services units will issue a reminder to draw particular attention to this issue.  It should be noted that a single error was found out of 27 files. Central accounting is already monitoring signatures closely but has been paying even closer attention since the error incident.	Will be repeated on a quarterly basis.



## AUDIT OF CONTRACT MANAGEMENT BY THE SECTORS

## AUDIT REPORT

Ref	RECOMMENDATION	RESPONSIBILITY		ACTION PLAN DETAILS	TIMETABLE
		ORGANIZATION	POSITION		
<b>5.0 FINANCIAL OPERATIONS ACCOUNTING</b>					
	No recommendation, as management has already taken steps to address expenditure accounting issues, as indicated in the March 31, 2006 <i>Annual Follow-up Report of Management Action Plans</i> .	N/A	N/A	N/A	

Ref	RECOMMENDATION	RESPONSIBILITY		ACTION PLAN DETAILS	TIMETABLE
		ORGANIZATION	POSITION		
<b>6.0 EXCEEDING FINANCIAL LIMITS OF CONTRACTS</b>					
i)	Monitor costs incurred to ensure that dollar limits are not exceeded.	Security and Facilities	Manager S&F	When signing requisitions for call-ups under a contract for needs as they arise, a SAP report showing the total of commitments to date will accompany the requisition.	Immediately
ii)	Regularize the situation with PWGSC with respect to the exceeding of the dollar limit of the contract with C. & G. Beaulieu.	Security and Facilities	Manager S&F	A complete report detailing over-expenditures was sent to PWGSC to enable them to put matters in order.	Completed



Ref	RECOMMENDATION	RESPONSIBILITY		ACTION PLAN DETAILS	TIMETABLE
		ORGANIZATION	POSITION		
<b>7.0 CERTIFICATIONS ISSUED BY FINANCIAL SERVICES</b>					
	The nature and extent of verifications performed by sector financial services and accounting services staff should be clearly documented.	Finance	CFO	Clarify the need to more clearly specify the extent of the audit pursuant to sections 33 and 34 and take corrective measures, if necessary.  If necessary, have the verification stamps redone.	February 2007  May 2007

