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Audit of the Industrial Security Program, Public Works and Government Services Canada

A Report from the Public Service
Commission of Canada

October 2005

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All of the audit work in this report was conducted in accordance with the legislative mandate and audit policies of the Public Service Commission of Canada.

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Summary

1. This Public Service Commission (PSC) audit involves selection processes related to the expansion of the Industrial Security Program of Public Works and Government Services Canada (PWGSC) to include the Controlled Goods Program. In December 2003, upon receipt of a formal complaint from Industrial Security Program staff, the Deputy Minister (DM) directed that an internal human resources review be undertaken. The internal review was completed in January 2004. The findings prompted the DM and the Assistant Deputy Minister of Corporate Services, Human Resources and Communications Branch to request a PSC external audit of staffing in these two programs. The audit period involved is March 1, 2001 to December 31, 2003, the same period covered by the internal review.
2. The framework supporting the management of staffing continues to evolve and improve. A number of important elements are in place, including mandatory training for managers with sub-delegated staffing authority and a certification program for human resources officials. Several key staffing policies have been implemented; however, formal guidance related to the use of acting appointment and without competition authorities requires improvement.
3. The DM clearly communicated the expectation that every staffing decision made under sub-delegated staffing authority would comply with legislation and respect the staffing values. The majority of selection decisions we examined did not meet this expectation. Industrial Security Program managers were responsible for upholding the *Public Service Employment Act* (PSEA) and for respecting the staffing values when exercising staffing authority on behalf of the DM. We found that only three of the 53 selection decisions that we examined respected and represented a balance of all public service staffing values. Personal favouritism in staffing was also found in a few cases. We have concluded that the Industrial Security Program managers who were in place during the audit period did not fulfil their accountability to the DM for making meritorious, non-partisan selection decisions in the interests of the organization and its workforce.

4. Industrial Security Program managers consulted human resources officials in every case we examined; yet the majority of appointments did not comply with the PSEA, or the conditions accepted by the DM in signing the Staffing Delegation and Accountability Agreement with the PSC. We have concluded that human resources officials did not fulfil their accountability to the DM for providing expert staffing advice to managers in the majority of the selection decisions examined for this audit.
5. The DM has assigned responsibility for monitoring departmental use of sub-delegated staffing authority to human resources officials. We found that some *ad hoc* monitoring had occurred between March 2001 and December 2003. However, we found little evidence of file review for any of the selection processes we examined, or any evidence of efforts to identify and correct inappropriate Industrial Security Program staffing trends. PWGSC has yet to implement an active monitoring system to assess the use of sub-delegated staffing authority by managers.
6. Since January 1, 2004, a number of changes have occurred in the Industrial Security Program. Staffing Principles were introduced in May 2004 and revised in October 2004. With one exception, the managers interviewed for this audit have either retired, left the Department or resumed their regular duties, if an acting appointment was involved. In March 2005, the Director General position was staffed through a competitive process managed by the PSC. The DM has accepted our recommendations and has provided a detailed action plan to improve the management of staffing in PWGSC.

Introduction

Background

7. Public Works and Government Services Canada (PWGSC) is a large department with a workforce of approximately 14,000 permanent and temporary employees, as of March 31, 2003. It provides government departments and other organizations with a range of services, including procurement, accommodation, information management, compensation, translation and various security services.
8. The purchase of industrial security services is to ensure the oversight and protection of sensitive information, assets and goods in the private sector. These services have been delivered for almost 65 years and were expanded in 1999 to include the Controlled Goods Program. During the audit period, the Industrial Security Program had approximately 100 employees delivering industrial security services.
9. Industrial Security Program (hereafter referred to as Program) managers were tasked with implementing the Controlled Goods Program by April 30, 2001, in order to restore Canada's exemptions from certain requirements of the International Traffic in Arms Regulations. The preferential exemptions had been removed by the American government in early 1999. A failure to implement the Controlled Goods Program would have political and economic implications for Canada's defence and aerospace industries. According to PWGSC's 2000-2001 Departmental Performance Report, "the U.S. reinstated broader Canadian exemptions effective May 30, 2001 ... will reopen the trade channels between Canada/U.S. in the defence and aerospace sectors."
10. Under this expanded mandate, the Minister of PWGSC is accountable for registration, compliance and enforcement systems for controlled goods (e.g., munitions, avionics software). Canadian entities which buy, sell and possess controlled goods in Canada are required to register with PWGSC. Inspection and enforcement systems ensure that all transactions involving controlled goods conform to the *Controlled Goods Regulations*. In October 2000, the *Defence Production Act* was amended to provide a legal foundation for the new inspection and enforcement responsibilities.
11. In December 2003, the Deputy Minister (DM) of PWGSC received a complaint from the Government Services Union, a component of the Public Service Alliance of Canada, related to staffing decisions made to support the creation of the Controlled Goods Program. The complainants alleged that a significant number of appointments violated the *Public Service Employment Act* (PSEA) and staffing policies, and failed to respect the staffing values. The complaint raised concerns about the qualifications of appointees, favouritism and

nepotism. In January 2004, in response to the complaint, the DM immediately initiated a human resources management review, which included a review of certain staffing actions taken as part of the expansion of the Industrial Security Program during the period from March 1, 2001 to December 31, 2003. The review's findings confirmed the need for a more in-depth assessment of the activities in question.

12. In March 2004, PWGSC contacted the Public Service Commission (PSC) and requested an external audit of staffing in the expanded Program. The PSC decided to proceed with this audit, which included interviews, documentation review and in-depth analysis, which could not be undertaken by the PWGSC internal review team within the time allotted. The scope of this external audit does not include a validation of the internal review findings. However, the PSC's recommendations are not inconsistent with those of the internal review.

Focus of the audit

13. The focus of the audit was to assess whether selection processes for positions in the Industrial Security Program were in compliance with the PSEA and related Regulations, and the Staffing Delegation and Accountability Agreement between the PSC and PWGSC.
14. We obtained a substantial volume of information from human resources officials and Program managers. We were also provided with the staffing portion of the internal human resources management review, which added to our background information on Program and human resources management.
15. We were not able to obtain a copy of the complaint for several reasons. Primarily, the complainants chose not to provide access because the complaint included significant personal information concerning individuals. The complainants met with us in August 2004.
16. We examined 53 selection processes completed during the audit period of March 1, 2001 to December 31, 2003. Forty of these processes, relating to 24 appointees, were linked to the complaint. Thirteen additional processes, involving eight employees, were chosen to determine whether the selection decisions and trends identified in the complaint were typical of Industrial Security Program staffing during the audit period. These cases were selected because they involved similar staffing patterns to those identified in the complaint. In a number of cases, several selection processes were associated with a single individual.
17. Further details are presented in **About the Audit** at the end of this report.

Observations

PWGSC's staffing management framework continues to evolve and improve

18. In April 2001, Public Works and Government Services Canada (PWGSC) signed a new Staffing Delegation and Accountability Agreement with the Public Service Commission (PSC). The Deputy Minister (DM) is accountable to the PSC for all staffing activities involving delegated staffing authority.
19. A total of 12,742 staffing actions were completed during 2002-2003, in a highly decentralized environment with extensive staffing sub-delegation. The effective management of this volume of staffing activity requires formal human resources plans and a responsive staffing management framework. Such a framework would include clearly defined roles and responsibilities, training in staffing processes and values, and formal policies or guidance for frequently used and potentially high-risk staffing authorities. These are required to ensure sound management of staffing by those with staffing authority.

Roles and responsibilities are clearly defined

20. We expected the roles and responsibilities of managers and human resources officials to be clearly defined and communicated through formal instruments of sub-delegation.

Staffing Values

Results Values

Competency: Attributes which ensure that public servants are qualified to carry out their public service duty.

Non-partisanship: Employees are appointed and promoted objectively, free from political or bureaucratic patronage.

Representativeness: The composition of the Public Service reflects that of the labour market.

Process Values

Fairness: Decisions are made objectively, free from political or bureaucratic patronage; practices reflect the just treatment of employees and applicants.

Equity of access: Equal access to external and internal employment opportunities; practices are barrier-free and inclusive.

Transparency: Open communication with employees and applicants about resourcing practices and decisions.

21. During the audit period, staffing authority was sub-delegated to incumbents of approximately 900 departmental positions. The exercise of staffing authority was governed by the May 1997 Deputy Minister Directive on Sub-delegation of Staffing Authority.

22. Through this instrument, the DM assigned distinct staffing roles and responsibilities to managers and human resources officials in conducting selection processes.
23. The DM expects managers and human resources officials to work in partnership to ensure that every selection decision complies with relevant legislation and policy, and respects the staffing values. Managers must ensure that selection decisions balance the needs and interests of the organization with those of its employees.

Area of Selection

The geographic/occupational/organizational parameters candidates must be within to be eligible for appointment. In a non-competitive process, the area of selection indicates who has the right to appeal.

24. Managers are accountable for deciding on an appropriate selection process, determining the qualifications and establishing the area of selection for filling positions in their jurisdiction. They are required to consult human resources officials with regard to implementing their staffing plans and exercising sub-delegated staffing authority.
25. Human resources officials, who are certified staffing specialists in the Corporate Services, Human Resources and Communications Branch, are expected to provide expert advice to managers on appropriate means of securing required resources. They are accountable for identifying risks and consequences associated with proposed strategies and appointments, and presenting options and alternatives. This expert advice is intended to equip managers with the information they need to confirm or to re-evaluate proposed staffing strategies and selection processes, when the review by human resources officials determines that implementation would result in a non-compliance situation.
26. In August 2003, the DM reviewed the departmental staffing sub-delegation instrument, and re-confirmed the roles and responsibilities assigned in 1997.
27. We found the roles, responsibilities and accountability of managers and human resources officials to be clearly defined and assigned by the DM throughout the period from March 1, 2001 to December 31, 2003.

Staffing training for managers is an important improvement

28. We expected managers and human resources officials to receive relevant staffing training prior to exercising staffing authority.
29. In April 2001, the DM identified training for sub-delegated managers as a performance indicator in the Staffing Delegation and Accountability Agreement.
30. Sub-delegated managers require a general knowledge of staffing legislation, policies and values to develop staffing plans and strategies, to establish qualifications, and to assess and select candidates.

31. At the beginning of the audit period, March 1, 2001, PWGSC managers were not required to take training prior to exercising the staffing authority delegated to their positions. Most Program managers interviewed claimed to have acquired extensive staffing experience at PWGSC or in other organizations.
32. The DM accepted the recommendation that managers receive staffing training, which was included in PWGSC's 2000-2001 internal audit of staffing efficiency and effectiveness. The May 1997 staffing sub-delegation directive was updated in August 2003 to reflect this decision. Since August 2003, new managers receive mandatory training in human resources planning, selection and processing of staffing actions. Once staffing training is completed, managers receive a letter confirming their staffing authority and general expectations regarding its use. The majority of the Program managers interviewed stated that, even with two or three days of training, they still relied on expert staffing advice from human resources officials.
33. PWGSC has implemented a staffing certification program to meet the training performance indicator for human resources officials. Certification is complemented by continuous learning, coaching and access to corporate staffing experts. The combination helps to ensure that all human resources officials providing expert staffing advice are well-equipped to meet their responsibilities.
34. The human resources officials we interviewed stated that they had received extensive formal training in various aspects of staffing and had obtained certification.
35. We found the training regimes to be responsive and aligned with the DM's staffing performance expectations and the performance criteria in the Staffing Delegation and Accountability Agreement. In our opinion, the decision to implement mandatory staffing training for managers prior to exercising staffing authority is an important improvement to the staffing management framework.

Formal guidance requires improvement in two key policy areas

36. Departmental staffing policies, and other types of formal guidance, provide managers with an immediate and effective source of information on various delegated staffing authorities. Formal guidance also clarifies the DM's expectations regarding how a specific staffing authority will be used, and ensures greater consistency of decision-making throughout the organization.
37. We expected PWGSC to establish policies or guidelines to support judicious selection decisions.
38. PWGSC has implemented a number of key staffing policies to guide the use of specific staffing authorities, including deployments and casual employment. Where no formal internal policy or guidance exists, managers must rely on human resources officials for expert advice.

Acting Appointment

An acting appointment is the temporary assignment of an employee to the duties of a higher position and provides the appointee with additional compensation.

39. Acting appointments represented thirty-four percent of all PWGSC appointments (4,335 of 12,742) made during 2002-2003. According to human resources officials, this volume of acting appointments is attributable, at least in part, to departmental reorganizations. PWGSC has reported significant acting appointment activity in each of its annual accountability reports to the PSC. For this reason, we expected that the DM would have implemented a departmental policy on acting appointments. Some guidance is available through PWGSC's Transitional Guidelines on Acting Appointments. We have assessed the adequacy of these guidelines in light of the audit findings. In our opinion, the guidance is too general and does not adequately support sub-delegated managers.
-

Relative Merit

In a relative merit process, a person is assessed along with other candidates, found qualified for a position, and ranked in order of merit.

40. Acting appointments also accounted for sixty-nine percent of the appointments we examined (25 of 36) in this audit. Every acting appointment we examined was made under subsection 10(1) of the *Public Service Employment Act* (PSEA). This subsection of the Act gives the authority to make relative merit appointments both with and without competition. The person selected must be the most qualified candidate, whether the appointment is made with or without competition.
41. Only four of the 25 acting appointment files included a complete narrative assessment, demonstrating that the appointee was well qualified in relation to the position qualifications. No file included information demonstrating that the appointee was better qualified than other potential candidates. As a result, we were not able to conclude that the department had demonstrated that the most qualified candidate was appointed in any of these cases.
-

Appointment Without Competition

An appointment without competition is an appointment made without holding a competition, and is based either on individual or relative merit.

42. PWGSC does not have a policy on the use of without competition authority. In August 2003, managers were provided with guidelines for documentation of appointments without competition. However, the guidelines do not include any advice on the judicious use of without competition staffing authority, nor does it discuss associated consequences.

43. We found the formal guidance related to these two key policy areas to be very general. In the selection processes examined, Program managers would have depended heavily on the expert advice and experience of human resources officials to determine whether the acting appointment or the without competition appointment being proposed met departmental and PSC expectations.
44. In our opinion, the current staffing management framework does not adequately support managers in meeting their accountability for staffing decisions when using acting appointment authority and without competition authority.

Recommendation 1

45. The Deputy Minister should ensure the development and implementation of improved formal guidance related to acting appointment authority and without competition authority, to support managers with sub-delegated staffing authority and to ensure consistent advice from human resources officials.

Response to Recommendation 1

The Deputy Minister commits to the following:

- 1) As part of the suite of policies under Human Resources Modernization, develop, implement and communicate to both sub-delegated managers and human resources consultants a policy on “Acting Appointments” and “Non-Advertised Processes” (January 1, 2006).
- 2) Communicate with all sub-delegated managers to reiterate the staffing values of equity, fairness and transparency and their accountability for upholding these values and provide specific guidance in the following areas (September 2005):
 - the need for better planning in order to stabilize organizations;
 - the need to reduce and regularize acting situations using appropriate processes;
 - restricted authority for “appointments without competition”;
 - management accountabilities regarding the documenting of selection decisions; and
 - the requirement for mandatory consultation with human resources advisors on all staffing actions.

Recommendation 2

46. The Deputy Minister should determine whether without competition appointment staffing authority under subsection 10(1) of the *Public Service Employment Act* should be restricted to Branch Heads (Level 1), and to positions reporting directly to Branch Heads (Level 2), until improved formal departmental guidance has been implemented and monitored for results.

Response to Recommendation 2

The Deputy Minister commits to the following:

- 1) Delegation of authority for “Appointments Without Competition” will be restricted to Levels 1 and 2 until the implementation of the new PSEA.
- 2) The Assistant Deputy Minister, Corporate Services, Human Resources and Communications Branch will send a communiqué to all sub-delegated managers (refer to Response to Recommendation 1).
- 3) Monitor at a corporate level, the use of Non-Advertised Processes based on established criteria (2006-2007).

Selection decisions were not consistent with staffing plans

47. We expected staffing plans to be clearly linked to the strategic objectives of the Industrial Security Program’s expanded mandate and the broader departmental strategic objectives. We also expected selection decisions to be consistent with these plans.

Formal staffing plans were developed but not implemented

48. An initial staffing plan was developed by the former Senior Director with responsibility for the Industrial Security Program and communicated to staff. It focussed on the need to create 20 additional positions to handle the increased volume of registration activity.
49. We found a clear alignment between the objectives of the original staffing plan and departmental business and human resources management objectives. It supported two PWGSC strategic outcomes: employee development and career advancement, and workforce renewal to meet current and future needs.
50. The Industrial Security Program’s mandate was clarified in January 2001 by a Mandate Review Committee. In its February 2001 report, the Committee identified two major design gaps related to the permanent inspection and enforcement systems required by the expanded mandate. The report also raised a concern that existing Program staff did not possess the expertise needed to design and implement these additional systems. This capacity would have to be secured outside of the Industrial Security Program.

51. The former Senior Director consulted human resources officials regarding an alternative staffing strategy to secure the expertise required to meet the April 2001 deadline, which was now only weeks away. This strategy included filling a number of temporary managerial positions with employees seconded from other organizations. The former Senior Director stated that the urgency to fill positions in light of the deadline precluded a departmental search and that insufficient time was available to hold a competitive process. He also stated that controlled goods and enforcement expertise was critical and not available within the organization. However, with one exception, these qualifications were not identified on the statements of qualifications for managerial positions examined for this audit.
52. On November 1, 2001, six months after the April 30, 2001 deadline had passed, a revised staffing plan was presented to Program staff. It included the creation of approximately 60 generic positions to cover registration, inspection and enforcement duties, such as managers, analysts and inspectors. Employees were told that competitive processes would be initiated to fill these positions. However, of the 53 selection processes we examined, only five involved competitive processes.

Selection decisions did not support Program or PWGSC objectives

53. **Exhibit 1** provides a detailed breakdown of the 53 Industrial Security Program selection processes we examined to determine, among other expectations, whether these processes were consistent with official staffing plans, and whether they supported Program and departmental objectives.

Exhibit 1: Distribution of selection processes by type

Selection Processes	Volume	
Appointments with Competition		
Closed competitions	4	
External hiring	1	
Sub-Total	5	
Appointments without Competition		
Acting appointments	25	
External hiring	6	
Sub-Total	31	
Total PSEA Appointments		36
Deployments	9	
Total PSEA Selection Processes		45
Secondments	8	
TOTAL SELECTION PROCESSES		53

Source: PSC Audit Branch

54. Several of the managers we interviewed stated that the implementation of the revised plan depended on securing permanent funding to establish a permanent organization structure and positions. The former Senior Director described numerous efforts to secure new, permanent funding to cover the increase in registration activity, and the new inspection and enforcement duties. The permanent funding issue was still being discussed at the end of the audit period, December 31, 2003.

Closed Competition

A closed competition is a competition open only to persons employed in the Public Service.

External Hiring

External hiring refers to the appointment of a person from outside the Public Service.

55. According to information obtained during our examination, the DM approved temporary funding to supplement the approved budget, both before and after the deadline had passed. Available funding was used to compensate 15 new indeterminate employees: eight brought in through deployment; four through closed competition; and three through external hiring.
56. We were not persuaded that the absence of permanent funding justified relying almost exclusively on non-competitive selection processes, which denied departmental employees reasonable access to career and development opportunities. In our opinion, Program managers did not support the Program's objective of building permanent competency and capacity to meet all industrial security service delivery demands, and did not serve the interests of the organization and its employees.

Managers did not demonstrate respect for the staffing values

57. We expected every selection decision taken by Program managers to respect the merit principle of the *Public Service Employment Act* (PSEA) and the staffing values, in accordance with the Staffing Delegation and Accountability Agreement between Public Works and Government Services Canada (PWGSC) and the Public Service Commission (PSC).
58. The Program managers we interviewed agreed that they were primarily accountable for selection decisions, and understood their accountability for making legal and values-based decisions. Managers we interviewed clarified that, in order to meet their staffing accountability, they relied on the expert advice of human resources officials in the development and implementation of staffing activities within their jurisdiction.

Deployment and secondment authorities were abused

Deployment

A deployment is the voluntary movement of an employee to a new job that does not constitute a promotion or a change in tenure.

Secondment

Secondments give employees new functions for a temporary period at the same level. The term refers to an assignment between departments and requires a written agreement.

59. Deployments and secondments are not intended to provide employees with additional compensation.
60. It is government policy to deploy employees to meet operational needs, to support career development, and to develop skills and abilities required in the longer term. Deployments are not appointments under the PSEA.
61. Secondments are not appointments, so the PSEA does not include any reference to this selection mechanism. Assigned duties are at the same level and no additional compensation is attached to a secondment.
62. We examined nine deployments and found that, in seven cases, the new employee was given an immediate acting appointment without competition. We examined eight secondments and found that, in every case, Program managers had identified former colleagues, or former staff members, as suitable candidates and brought them into the Department, with the intention of providing them with additional compensation. The eight employees were given acting appointments without competition retroactive to the effective date of their secondments. No relevant internal performance record was available in any of these cases to support the acting appointment.
63. Program managers abused the Deputy Minister's (DM) authority to enter into secondment agreements and to make deployments in 15 of the 17 cases referred to above. None of these employees actually performed the duties of the position, or at the level, to which they were deployed or seconded. Instead, they were immediately assigned higher level duties and received additional compensation through an acting appointment without competition. These employees were effectively promoted without competition.

Tailoring was done to ensure specific outcomes

64. We found that Program managers had tailored qualifications in both with and without competition processes. One of the four closed competitions we examined revealed tailoring of process and of qualifications to achieve a specific outcome, as presented in **Exhibit 2**.

Exhibit 2: Tailoring of process and qualifications

The revised staffing plan to fill numerous Industrial Security Program positions adopted generic positions and competitive processes.

On June 10, 2003, a closed competition was initiated to staff an AS-05 position in the Industrial Security Program. The area of selection was limited to PWGSC employees, who were given less than four days to apply. The statement of qualifications used in an earlier competition to fill similar positions was altered to include very specific experience. It was also altered to remove all knowledge qualifications, even though the work description for this position clearly indicated that knowledge was a requirement.

Six candidates applied and two candidacies were retained for further consideration. The assessment process consisted of interviewing both of these candidates and doing a reference check on one of them. The successful candidate had deployed to the department as an AS-02 in March 2002 and had been acting in the advertised position since June 2002. On August 11, 2003, this person was promoted from the AS-02 to the AS-05 level on an indeterminate basis.

As of April 1, 2005, the incumbent had deployed to another AS-05 position in the organization and the hiring manager had deployed out of the Branch.

65. We found other cases where position qualifications were altered or eliminated to coincide exactly with those of the appointee.
66. One such case was that of an Administrative Services (AS) Project Officer position at the AS-02 level requiring graduation from a recognized university, which matched the education of the successful candidate. No reason was provided for raising the education beyond that required for very similar positions, such as an AS-02 Controlled Goods Program/Industrial Security Program Officer, requiring the successful completion of secondary school.
67. We found eight cases where the language requirements were changed (raised or lowered) during the course of a staffing process to match the second language qualifications of the proposed appointee. Through our examination, we also identified four cases where the selected employee did not meet the language requirements on the effective date of the appointment or deployment.
68. We found seven cases where the security qualifications had been changed to match those of the successful candidate, thus allowing the proposed appointment or deployment to proceed. Our examination also identified two cases where the selected employee did not meet the security requirement on appointment or deployment.

69. We also examined the work descriptions for temporary managerial positions and the qualifications established for staffing these positions. We found that the work descriptions included numerous requirements for knowledge of security. These knowledge requirements had been critical in achieving the classification level of AS-07, the second highest level in the AS group. However, no security knowledge requirements were included in the statement of qualifications for the position.
70. In the case of the temporary AS-08 Director position, we noted that the knowledge requirements in the work description were adequately reflected in the statement of qualifications, but the appointee did not possess the required experience on the effective date of the appointment.
71. All of these adjustments, designed to achieve a specific selection outcome, indicate a fundamental lack of respect for the value of competency.

Evidence of personal favouritism in staffing was found

Personal Favouritism in Staffing

Within the federal public service's staffing and recruitment process, personal favouritism involves an inappropriate action or behaviour by a public servant who, by using knowledge, authority or influence, provides an unfair advantage or preferential treatment to: 1) a current employee or 2) a candidate for employment in the public service, for personal gain (benefit) and contrary to the good of the organization.

72. We expected that every selection decision made by Program managers would be free of personal favouritism (bureaucratic patronage) in staffing, and would provide Program employees with reasonable and equitable access to career and development opportunities.
73. The requirement to attest to the impartiality of their decision provides hiring managers with the opportunity to carefully consider whether any personal considerations have influenced the selection being proposed.
74. PSC staffing policy requires all persons participating on screening and selection boards to sign a "Statement of Persons Present at Boards" form to confirm that the selection decision is free from personal favouritism (bureaucratic patronage) in staffing. The policy applies to every appointment, whether made with or without competition.

75. Of the 31 without competition appointments we examined, the required attestation was signed in only one case — that of an acting appointment where an appeal had been lodged.
76. Networking refers to the identification of individuals known to managers, or brought to their attention by others, for potential selection. Typically, these individuals have worked with the manager in the past or have connections through some type of professional association. Networking is a selection option available to public service managers to meet operational needs. However, managers who limit their search to a specific individual without considering other candidates may not be respecting the merit principle or the staffing values. Selections through networking can result in personal favouritism in staffing or perceptions thereof. (See Public Service Commission of Canada *Study of Personal Favouritism in Staffing and Recruitment within the Federal Public Service*, 2005.)
77. At a minimum, networking was used to identify candidates for 17 of the selection processes we examined: eight secondments; five deployments; and four external hiring processes. Of these, 12 became even more problematic because these individuals benefited from acting appointments on the same date as their move into the Program.
78. We had particular concerns regarding the seven external hiring processes examined because the Program managers identified a single candidate and proposed that individual for appointment, without considering other potential candidates or alternative selection methods. In six cases, the individual identified by the hiring manager was appointed without competition; in the seventh case, the individual was required to compete for the position, but was declared the successful candidate.
79. The managers we interviewed were aware that two of these external processes involved the hiring of someone related either to a Program employee, or to a person known by a Program employee. In one case, the individual was employed by a separate employer within the public service. The second individual was employed in a private sector organization which employs numerous security personnel who would possess qualifications similar to those of the proposed appointee. This latter case is illustrated in **Exhibit 3**.

Exhibit 3: Appointment to the public service did not respect the value of non-partisanship

In June 2002, an individual who was related to a person employed in the Industrial Security Program was appointed without competition from outside the Public Service as a term AS-05.

The hiring manager from PWGSC had asked the PSC to have this individual added to the Administrative Services (AS) occupational group inventory and referred for a term appointment of one year. The justification provided to the PSC for the referral stated that this person had been identified through networking, and that the security expertise required for this position was unique and scarce. The PSC referred the individual, as requested.

We examined the statement of qualifications and noted that the security experience qualification was very generic: the development and implementation of security procedures and training programs. In our view, this type of expertise is neither unique nor scarce, since it can be found in many medium and large departments in the public service.

There was no assessment on file, so we were unable to determine if the appointee was qualified to perform the duties of the position. Nor were we able to determine if this individual possessed qualifications superior to those of public servants delivering security services within PWGSC or other government organizations.

We found no evidence that the hiring manager had personal knowledge of the individual's competence and performance in relation to the duties to be performed, as is required when a specific individual is proposed for appointment. There was no attestation of impartiality on the staffing file. Moreover, we noted that the security requirements for the position were lowered to accommodate the appointment of this individual.

In our opinion, the appointment of this individual to the public service only occurred because the individual was brought to the attention of the hiring manager through a sibling already working in the organization. Existing departmental staff and numerous public servants with security expertise were excluded from consideration for this position. Other Canadians registered in the PSC inventory for positions in the AS group were likewise denied consideration. This appointment to the public service respected neither merit nor the value of non-partisanship.

The term appointment of this employee was extended until May 2004. The Department offered the employee a further extension, to May 2005; however, the individual moved to another government department in June 2004. The hiring manager retired from the public service in early 2005.

Staffing process values were frequently ignored

80. The values of fairness, equity of access and transparency are referred to as process values.
81. In 48 of the 53 selection processes we examined, Program managers chose a specific individual, without considering the internal pool of potential candidates. These selection decisions deprived departmental employees of the opportunity to demonstrate their qualifications for appointment or deployment to the positions being staffed.
82. Program managers advanced the urgent April 2001 deadline, in addition to permanent funding issues, as justification for not conducting internal searches for potential candidates. However, 11 of the 25 acting appointments took place after April 2001. In our view, the duration of any appointment justified by the urgent deadline should have been for a period ending within 2001. Competitive selection processes should have been initiated soon after the deadline had passed to provide other potential candidates with fair and equitable access to these development and promotional opportunities.
83. Frequent, timely and clear communication regarding staffing plans, strategies and decisions is critical to acceptance of managerial decisions. We found that the value of transparency was respected with regard to communication of formal staffing plans. However, the decision to create temporary managerial positions to implement the Controlled Goods Program and to staff these with employees seconded from other organizations was not communicated in a transparent manner. Further, employees were notified of appointments without competition, frequently months after the appointee was performing the duties, through formal notifications rather than through communication from Program managers. This put the onus on employees to seek further information or to lodge an appeal.
84. The PSEA requires a manager who decides to proceed with external hiring to demonstrate why an internal appointment was not in the best interests of the public service. We found the justifications prepared by Program managers for each of the seven external hiring processes to be questionable, in light of official qualifications and the availability of internal candidates.
85. We also found a contradiction between statements made by Program managers concerning specialized and scarce expertise and the actual qualifications established for the selection processes we examined. With one exception, the statement of qualifications identified experience, skills and knowledge of a very general nature, which could be found in most organizations, including PWGSC. Relying on the relevance of the actual qualifications used to make selections, in our opinion, the 14,000 employees employed by PWGSC constituted a reasonable pool of candidates to fill the positions we examined.

Conclusion

86. We have concluded that Program managers failed to respect the staffing values in the majority of the cases we examined. With the exception of three competitive processes, the selection decisions we examined did not rely on formal assessments or other objective information to select the appointee. In each of the 50 remaining selection processes, including two competitive processes, the specific individual identified by Program managers for appointment, deployment or secondment was selected. The values of competency, fairness, transparency, and equity of access were largely ignored in every non-competitive selection process examined. The prevalence of non-competitive appointments and the selection of individuals through networking also called into question Program managers' respect for the value of non-partisanship (absence of personal favouritism in staffing). Further, existing employees were not given the opportunity to demonstrate their competence, were not treated fairly, and were denied equitable access to career and development opportunities. Managers did not keep employees sufficiently informed of staffing strategies and decisions.

Recommendation 3

87. The Deputy Minister should immediately institute effective safeguards to prevent personal favouritism (bureaucratic patronage) in staffing.

Response to Recommendation 3

- 1) To ensure values and ethics are respected, the Department has communicated:
 - the requirement for managers to complete a signed statement of board members for all appointments; and
 - interim guidelines for the reference of managers and employees until the update to the departmental policy on Employment of Relatives and Associates is published (Fall 2005).
- 2) Ethics training is mandatory for all persons in positions at risk. The department will make ethics training mandatory for all sub-delegated managers and ensure that this is clearly communicated to all branches/agencies.
- 3) It is recognized that:
 - the new PSEA contains strong legislative safeguards against possible personal favouritism (bureaucratic patronage). These safeguards will be reinforced through their integration into all management training for the implementation of the legislation; and
 - the PSC *Study of Personal Favouritism in Staffing and Recruitment within the Federal Public Service* should provide some clarity around the definition and identification of high risk situations that the department can use to actively monitor its activities.

Human resources officials did not fulfil their advisory responsibilities

88. We expected human resources officials to fulfil their staffing responsibilities and accountability to the Deputy Minister (DM) by providing timely and expert advice to managers.
89. However, we found little evidence that human resources officials discussed or questioned the selection processes proposed by Program managers. We found that most of the 36 appointments we examined were non-compliant with staffing legislation and policy, as demonstrated in **Exhibit 4**.

Exhibit 4: Industrial Security Program non-compliance report card

PSEA Appointments	Appointments With Competition Total = 5		Appointments Without Competition Total = 31	
	Within the public service=4	To the public service=1	Within the public service=25	To the public service=6
COMPLIANCE ELEMENT				
<i>Public Service Employment Act and Regulations</i>	% of non-compliance	% of non-compliance	% of non-compliance	% of non-compliance
10(1) Best qualified appointed	25%	100%	100%	100%
12.1 Qualifications afford a basis for meritorious selection	25%	0%	32%	50%
13(1) Appropriate area of selection	0%	0%	24%	100%
14(1) Reasonable posting period for closed competition	25%	n/a	n/a	n/a
21(1) Recourse notification	0%	n/a	24%	n/a
PSC Policy or Guideline				
Relative merit appointment without competition: appointee must be best qualified in relation to others (if appointment exceeds four months)	n/a	n/a	100%	100%

Source: PSC Audit Branch

90. The human resources officials we interviewed understood their accountability for providing expert staffing advice to managers. They interpreted their advisory role as not including the questioning of staffing strategies and appointments proposed by Program managers. However, the Program managers we interviewed expected that any proposed staffing activity which did not comply with staffing legislation and policies, or was in conflict with the staffing values, would be questioned.
91. We found that the failure to question the selection processes proposed by Program managers resulted in numerous non-compliant appointments, notably for acting appointments and appointments made through external hiring.

Without competition appointments were not questioned

92. The DM has delegated staffing authority to managers to make acting appointments, either with or without competition, provided that the appointment is meritorious and values-based. Meritorious appointment requires that the successful candidate is assessed as the most qualified in relation to other potential candidates.
93. Of the 25 acting appointments we examined, we found all were made without competition, and only four were supported by an adequate assessment of the appointee's qualifications against the position requirements. However, none of the 25 staffing files we examined for these cases included assessment information which demonstrated that the appointee was the most qualified candidate within the pool of potential candidates, on the effective date of the appointment. Based on the assessment information on file, we found that none of these acting appointments was meritorious.
94. None of the staffing files for these appointments included communications from human resources officials to Program managers, advising them of the potential consequences of their proposal to appoint a specific individual without competition, such as reduced employee morale. When interviewed, the human resources officials stated that this type of advice, unless specifically requested, would be considered as "policing" managers who had authority to make appointments without competition and were accountable for their selection decisions.
95. In our opinion, human resources officials should have actively offered advice and questioned Program managers in each of the 25 acting appointments without competition. **Exhibit 5** below provides an example of one such appointment.

Exhibit 5: Human resources officials did not challenge an exceptional situation

In March 2001, an employee occupying a PM-06 position in another organization was seconded, for a four-year period, into the Industrial Security Program by the former Senior Director of the Program.

In April 2002, this individual received a letter offering him an acting appointment without competition to a higher level position (AS-08) in the Program, retroactive to March 2001. The appointment was for the entire four-year period of the secondment. This letter had been prepared by human resources officials and signed by the former Senior Director.

Human resources officials should have ensured that the acting appointee's assessment clearly demonstrated that all position qualifications were met and that the appointee was the most qualified candidate relative to other potential candidates in the area of selection before preparing the letter of offer. No assessment was found on the staffing file.

We also noted that human resources officials did not raise concerns when the language requirements of the position were raised to match the appointee's second language examination results. According to the *curriculum vitae* on file, the proposed appointee did not meet an experience requirement, nor the position's security requirement, on the effective date of the appointment.

The appeal notice for this acting appointment was issued in May 2002, fourteen months after the effective date of the appointment. Although the appointee was on secondment to the Program, the area of selection on the notice did not include that individual's substantive work area. Two consequences resulted from this error: the appointee was not in the area of selection, so the appointment did not comply with the *Public Service Employment Act* and potential candidates in the appointee's home department were denied their right of appeal.

Human resources officials should have challenged the proposed acting appointment without competition because it did not respect the merit principle. It also did not respect the staffing values of competency, non-partisanship, fairness, equity of access and transparency.

Both the appointee and the hiring manager have retired from the public service.

96. The 25 acting appointments without competition we examined for this audit have all ended.

Staffing files did not include required documentation

97. Staffing files are the official record of selection and appointment decisions made by those exercising staffing authority on behalf of the DM. Documentation and retention requirements are stipulated in Chapter 8 of the Public Service Commission (PSC) Staffing Manual.
98. Typically, human resources officials are responsible for ensuring that complete documentation is available to record the basis for and method of selection, to support post-selection discussions, and to monitor the use of staffing authority.

99. We expected human resources officials to ensure that every selection decision would be supported by the documentation required to demonstrate that the appointment or deployment authority was used judiciously and appropriately.
100. The majority of the files for the 36 appointments we examined did not include sufficient information to demonstrate meritorious selection and appointment.
101. In 33 of the 36 appointments we examined, human resources officials failed to fulfil their responsibility to ensure required documentation was available to support the appointment made by the Program manager involved.

Recommendation 4

102. The Assistant Deputy Minister, Corporate Services, Human Resources and Communications Branch should reinforce, and regularly communicate, the requirement to ensure that adequate information is available to demonstrate that final selection decisions are compliant, appropriate and values-based.

Response to Recommendation 4

The Assistant Deputy Minister, Corporate Services, Human Resources and Communications Branch will:

- make a presentation to the departmental Human Resources Committee (HRC) to reinforce management accountabilities (Fall of 2005);
- send a communiqué to all sub-delegated managers (refer to Response to Recommendation 1); and
- ensure that a review is conducted on a sample of files to determine that appropriate documentation is being provided.

Letters of offer were issued without required assessments

103. The letter of offer is the official document which establishes the employment contract between an appointee and the organization.
104. Human resources officials prepared letters of offer for each of the 36 appointments and nine deployments we examined. Several of the Program managers we interviewed stated that they believed the receipt of a letter of offer for their signature to be a confirmation from human resources officials that the proposed appointment or deployment was compliant with legislation and policy, and respected the staffing values.

105. Most of the acting appointments we examined were not supported by an adequate assessment of the appointee's qualifications. We are therefore concerned that human resources officials prepared these letters without the information needed to support the selection decision. In our opinion, this practice demonstrates that human resources officials focussed on timely service, to the detriment of their advisory responsibilities.

Some competitive processes were well managed

106. We examined five competitive processes for this audit: four closed competitions; and one external hiring process.
107. We found three of the four closed competitions to be very good examples of an effective partnership between managers and human resources officials. The area of selection was appropriate and candidates were given sufficient time to apply. Screening decisions were well documented and clearly communicated. Several candidates requested a review of the screening decision and follow-up action was well documented. A range of assessment tools was used to determine which candidates were qualified for appointment. The appeal period complied with the *Public Service Employment Regulations*. The staffing files included sufficient documentation to confirm meritorious selection and appointment in line with DM and PSC expectations. We found these processes respected merit and the staffing values.
108. We found the fourth closed competition, presented previously as **Exhibit 2**, to be neither meritorious nor values-based.
109. We also examined one external hiring through a competitive process where the Program manager had asked the PSC to refer a specific individual for appointment to the public service. The PSC referred this individual, along with several other potential candidates. The individual originally identified by the manager was appointed, but the documentation on file was insufficient to determine the process used to assess and select this individual in relation to the other candidates referred.
110. We found that, in three of the five competitive processes we examined, Program managers and human resources officials were able to demonstrate that they could properly execute their roles and responsibilities, and fulfil their accountability to the DM.
111. We found the opposite when non-competitive processes were involved. In the 48 non-competitive selection processes we examined, the candidate search was limited to a single individual. None of these processes met DM or PSC expectations, and very little evidence was found that human resources officials had provided advice or had questioned any of the proposed selections.

Conclusion

112. We have concluded that, in 50 of the 53 selection processes we examined, human resources officials did not fulfil their responsibilities to the DM, as they did not provide Program managers with expert advice and guidance in order to make appropriate, values-based selection decisions.

Recommendation 5

113. The Assistant Deputy Minister, Corporate Services, Human Resources and Communications Branch should ensure that human resources officials fulfil their responsibilities through actively offering staffing advisory services to managers.

Response to Recommendation 5

- 1) An “on-site” human resources presence has been established and a human resources advisor now participates on the Management Committee for the Industrial Security Sector (ISS).
- 2) The Assistant Deputy Minister, Corporate Services, Human Resources and Communications Branch will:
 - make a presentation to the departmental Human Resources Committee (HRC) to reinforce human resources responsibilities (Fall 2005); and
 - provide training (coaching, awareness sessions) to human resources advisors to ensure that they are well aware of their role in advising managers on staffing options and risks, and their role in promoting respect for the staffing values by sub-delegated managers.

Selection decisions were not monitored

114. Public Works and Government Services Canada (PWGSC) managers make approximately 11,000 selection decisions each year in a decentralized organization. The Staffing Delegation and Accountability Agreement signed between PWGSC and the Public Service Commission (PSC) requires the Deputy Minister (DM) to implement systems to manage and assess departmental staffing performance and outcomes. By signing this Agreement, the DM agreed to implement responsive mechanisms to assess the compliance, efficiency and effectiveness of selection processes made through delegated authority.
115. We expected PWGSC to actively monitor selection processes to ensure the effective management of staffing and to take timely corrective actions.

Managers' access to staffing information requires improvement

116. Monitoring activities involve the ongoing and recurring review of activities and operations against plans, procedures or performance standards to determine whether they are being performed or are functioning as intended, and are producing desired results. The intent of monitoring is to determine, at regular intervals (e.g., quarterly), the level and quality of performance and results and, when required, to take corrective action and to introduce improvements to existing policies and processes.
117. PWGSC has made significant investments into a reliable human resources management information system. It has the capability to produce a range of reports to support sub-delegated managers in meeting their staffing accountability. During the period under review, Branch reports, known internally as “mini bilan-socials,” were produced and distributed to Branch Heads. These Heads were expected to distribute this information within their jurisdictions.
118. Managers with sub-delegated staffing authority, including the former Senior Director and subordinate Program managers, needed access to timely information on staffing activities. The majority of managers we interviewed did not recall ever receiving staffing information reports from either their Branch Head or human resources officials. Program managers did not have ready access to the information required to manage staffing activity at a strategic level, to detect problems, to determine priorities or to monitor staffing.
119. One of the human resources officials we interviewed clarified that Program managers could have requested ad hoc reports from the human resources officials assigned to provide advice and services to the Industrial Security Program. This alternative was not raised by any of the managers we interviewed.
120. In our opinion, human resources officials did not adequately fulfil their responsibility to provide Program managers with information on staffing activities to meet their staffing monitoring responsibility.

PWGSC has yet to implement active monitoring of staffing

121. The DM assigned corporate responsibility for monitoring of departmental staffing to human resources officials in the 1997 staffing sub-delegation directive, and re-iterated this responsibility when revising the directive in August 2003. The responsibility was assigned to the Director, Employment Equity, Staffing and Awards.
122. At the end of the audit period, December 2003, PWGSC had not yet implemented active monitoring of staffing. However, human resources officials had conducted a number of directed, ad hoc monitoring exercises, as reported to the PSC in two Departmental Staffing Accountability Reports.

123. We examined the 2002-2003 Departmental Staffing Accountability Report, which provided detailed results of a regional monitoring exercise involving 250 staffing files. The primary purpose of the exercise was to validate staffing processes based on compliance with the mandatory documentation requirements for the staffing authority used in the selection process.
124. This type of *ad hoc* monitoring has led to some improvements, such as the introduction of Guidelines on the Types of Assessments for Without Competition Appointments.
125. The Director, Employment Equity, Staffing and Awards informed us that human resources officials assigned as service providers to Program managers are expected to analyse staffing information, identify trends and potential problems, and discuss results with the relevant managers.
126. The human resources officials assigned to the Industrial Security Program did not fulfil their monitoring responsibility. They did not discuss the aggregate impact of selection decisions on the organization and its workforce. In our opinion, had this responsibility been fulfilled, human resources officials could have easily found the inappropriate trends identified in this report.
127. The implicit challenge of the implementation of the *Public Service Modernization Act* is to establish a staffing management accountability framework which supports those with sub-delegated staffing authority in achieving the right balance between flexibility and control. The Act encourages sub-delegation of decision-making to the lowest level possible in the organization. The DM must ensure that any increase in flexibility is complemented by rigorous monitoring and required controls for the uses made of staffing authority, in order to hold decision-makers accountable for their actions.

Recommendation 6

128. The Deputy Minister should ensure the implementation of an active monitoring system to assess the management of sub-delegated staffing authorities within PWGSC.

Response to Recommendation 6

The Deputy Minister commits to the following:

- 1) Expansion of the current departmental approach to monitoring (Bilan Social trends analysis and on-site file reviews) to include an active monitoring system and policy as part of the implementation of the new PSEA, based on the departmental staffing framework, the mandatory elements required by the PSC Staffing Framework, the Staffing Management Accountability Framework (SMAF) and the Treasury Board Secretariat Policy on Active Monitoring.
- 2) The allocation of resources to active monitoring (March 31, 2006).


Update

129. The January 2004 internal human resources management review produced nine recommendations to improve the management of staffing across Public Works and Government Services Canada (PWGSC). Action has been taken on some of these recommendations. In other cases, human resources officials explained that they will rely on the observations and recommendations of this audit to advise the Deputy Minister on the nature, importance and timing of additional improvements to the departmental staffing management framework.
130. Human resources officials reported that, in November 2004, 677 of the total of 790 managers identified as requiring mandatory staffing training had completed the training course.
131. The former Senior Director has retired from the public service. Responsibility for the Industrial Security Program now rests with the Director General, Industrial Security Sector. The Director General introduced Staffing Principles in May 2004. These principles required transparent communication of all staffing activity, competitive processes for both acting appointments and indeterminate appointments, and reasonable area of selection decisions. All appointment activity was to be fully substantiated. Effectiveness was monitored between May and October 2004, when the Principles were revised for greater precision, and re-communicated to managers and staff. The Principles are posted on the Departmental Web site for easy access.
132. The Director General holds quarterly Town Hall meetings with all staff, which cover general and specific human resources management issues. He has also made a public commitment to expeditiously address and resolve any concern brought to his attention.
133. There is now an on-site human resources representative who is working on the organizational structure and is conducting staffing processes.
134. A business case for the Industrial Security Program was developed in cooperation with Consulting and Audit Canada in the fall of 2004. It presented three funding options to fulfil mandated industrial security responsibilities. As was the case throughout the period from March 1, 2001 to December 31, 2003, the issue of permanent funding continues to be an obstacle to describing and creating Industrial Security Program positions needed to implement existing and future staffing plans.
135. The Director General and the Industrial Security Services management team are currently consulting human resources officials on the development of a staffing strategy to implement a permanent organizational structure.

136. Favouritism in staffing was a concern raised in both the 1999 and the 2002 Public Service Employee Surveys. This report includes a recommendation that the Deputy Minister institute effective safeguards to prevent personal favouritism in staffing. PWGSC will soon be releasing a revised Policy on the Employment of Relatives and Associates. Pending the release of the departmental policy, the Assistant Deputy Minister, Corporate Services, Human Resources and Communications Branch, has released a communication to all employees and managers on this issue and provided a set of guidelines for their information.

Lessons learned for implementation of the new PSEA

137. Our findings and conclusions have produced a number of lessons learned regarding the management of staffing within the Industrial Security Program, which have Department-wide application. These lessons have relevance under both the current and the new *Public Service Employment Act*.
138. The selection methods used to fill senior positions were viewed as benchmarks for subsequent staffing actions in the work unit. Under the new legislation, it will be important for senior managers to provide guidance by setting a good example, as well as by giving clear direction.
139. Although staffing plans linked to the departmental human resources management plan were developed, they were not implemented. Under the new legislation, human resources planning and staffing planning will take on increasing importance. However, developing plans is not enough; these must be communicated and implemented. Staff must be kept informed of progress made and variations that occur.
140. Transparency in staffing is essential to the integrity of the staffing system. Notices of appointment were considered a reasonable proxy for managerial communications related to planned staffing actions and proposed appointments. Under the new legislation, hiring managers will need to ensure clear and open communication with employees regarding proposed selection processes and appointments.
141. Technical compliance with legislation is not sufficient in a values-based staffing system. Under the new legislation, which is less prescriptive, human resources officials and managers exercising staffing authority must understand and apply the staffing values in all selection processes.

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142. We also identified lessons learned which would be applicable to the public service as a whole.
 143. Deputy ministers must provide the resources needed to implement a staffing management framework, based on their organization's unique environment. This framework is required to manage departmental use of sub-delegated staffing authorities, in line with the Public Service Commission's Staffing Management Accountability Framework.
 144. There will be fewer central agency policies and guidelines under the new legislation. Therefore, beyond the mandatory policy requirements, deputy ministers of large organizations should implement formal guidance for high usage and high-risk staffing authorities, to ensure appropriate, consistent and ethical use of sub-delegated staffing authorities.
 145. The new legislation promotes staffing sub-delegation to the lowest level possible. Deputy ministers must ensure that staffing advisors and sub-delegated managers receive staffing training which equips advisors and managers to fulfil their roles, responsibilities and accountability for making sound selection decisions. Each staffing decision made by sub-delegated managers contributes to the integrity of staffing in the organization.
 146. Deputy ministers must ensure that every appointment is free from bureaucratic patronage and that no personal favouritism influences selection decisions.
 147. Under the new legislation, there will be a need to ensure that employees and other potential candidates have fair and reasonable access to career and development opportunities.
 148. Deputy ministers must ensure that adequate documentation is available on staffing files to demonstrate compliance with legislation and respect for the staffing values.
 149. Deputy ministers must implement monitoring systems to assess the use of staffing authority within the organization, and mandatory controls. These formal systems should be used to improve their staffing management accountability framework, and to adjust their staffing processes, programs and practices, as warranted.

Conclusion

150. We found that the Deputy Minister had an adequate staffing management framework in place. There is a need, however, for improved formal guidance regarding acting appointments and non-competitive selection processes. These two authorities represent significant percentages of all Public Works and Government Services Canada (PWGSC) selection decisions and involve a degree of risk.
151. We found that, although two formal staffing plans were developed by the previous Senior Director for the expansion of the Industrial Security Program, neither was implemented. Despite sustained efforts to agree on permanent Program funding, discussions had not resulted in a permanent adjustment to the Program's budget. Program managers explained that the creation of the Controlled Goods Program was an emergency and so "the ends" (i.e., the Minister's deadline was met) justified "the means" (i.e., almost exclusive reliance on non-competitive processes). We were not persuaded that either the unresolved funding issue, or the April 30, 2001 deadline, was sufficient cause to ignore the merit principle in staffing and the staffing values. We found that almost all of the selection processes we examined neither complied with the *Public Service Employment Act* (PSEA), nor respected the staffing values.
152. With the exception of three competitive processes, we found that Program managers frequently abused their staffing authority by appointing, deploying or seconding specific individuals in order to offer them acting appointments without competition. Selection processes and qualifications were often tailored to ensure that specific individuals could be appointed or deployed. In making these selection decisions, Program managers knowingly denied employment opportunities to other potential candidates and demonstrated a fundamental lack of respect for the staffing values.
153. We found little evidence that human resources officials had provided advice on or questioned the selection processes or appointments proposed by Program managers, even when they did not comply with the PSEA and related Regulations. Furthermore, we found very little evidence that efforts were made to ensure respect for the staffing values in the selection decisions made.
154. The failure to implement active monitoring systems has contributed to the staffing outcomes reflected in this report. Program managers' use of delegated staffing authority was not monitored for compliance with legislation and respect for the staffing values. As a result, trends were not detected that could have led to corrective action, to improved management of staffing and to increased confidence of employees in the integrity of staffing in the department.

About the audit

Objective

The focus of the audit was to assess whether selection processes for positions in the Industrial Security Program of Public Works and Government Services Canada (PWGSC) were in compliance with the *Public Service Employment Act* (PSEA) and related Regulations, and the April 2001 Staffing Delegation and Accountability Agreement between the Public Service Commission (PSC) and PWGSC.

Scope and approach

The examination included interviewing Industrial Security Program managers, PWGSC human resources officials, complainants and union representatives. We reviewed and analysed staffing files and other documents, including an extract of a departmental human resources management review. The scope of this audit did not include the validation of the observations found in that review. However, the extract was used to identify selection processes to be audited.

The audit included the review of 53 Industrial Security Program selection processes completed between March 1, 2001 and December 31, 2003, including one external hiring process with competition, four closed competitions, 25 acting appointments, six appointments to the Public Service without competition, nine deployments and eight secondments.

Criteria

The criteria for the audit are drawn from the Staffing Delegation and Accountability Agreement between PWGSC and the PSC, and PWGSC Sub-delegation of Staffing Authority Policy. We expected that:

- the roles and responsibilities of managers and human resources officials would be clearly defined and communicated through formal instruments of sub-delegation;
- managers and human resources officials would receive relevant staffing training prior to exercising staffing authority;
- PWGSC would establish policies or guidelines to support judicious selection decisions;
- staffing plans would be clearly linked to the strategic objectives of the Industrial Security Program's expanded mandate and the broader departmental strategic objectives;
- selection decisions would be consistent with staffing plans;
- selection decisions made by sub-delegated managers would respect the merit principle of the PSEA and the staffing values, in accordance with the PWGSC Staffing Delegation and Accountability Agreement with the PSC;

- selection decisions would be free of personal favouritism (bureaucratic patronage) in staffing, and Industrial Security Program employees would be provided with reasonable and equitable access to career and development opportunities;
- human resources officials would meet their staffing responsibilities and accountability to the Deputy Minister by providing timely and expert advice to managers;
- human resources officials would ensure that selection decisions would be supported by required documentation; and
- PWGSC would actively monitor selection processes to ensure the effective management of selection decisions and to take timely corrective actions.

Audit Team

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Response to the audit

The Deputy Minister, Public Works and Government Services Canada

We would like to thank the Commission for the rigour that was demonstrated in dealing with our Department's request for an external audit of the Industrial Security Sector (ISS).

In December 2003, senior management was made aware of concerns related to human resources management practices in this Sector. I immediately ordered an internal human resources management review, including a review of staffing actions in this Sector since March 1, 2001. On January 30, 2004, a report was submitted which confirmed the need for a more in-depth review, and our Department requested that the PSC conduct an external audit to confirm our findings.

Since that time, a new management team has been put in place. There has been much progress over the past 15 months as this management team, working with human resources advisors, has taken measures to address the findings of the Departmental review and ensure that staffing values are respected. There has been improved transparency and enhanced communications with employees. Staffing principles are in place, are posted on the Web site, and have been communicated to all staff. They clearly outline guidelines related to acting appointments and other staffing practices, and affirm management's commitment to the staffing values. There have been no further complaints about staffing practices.

Our Department has put in place an action plan to respond to the audit recommendations. It encompasses communications with all sub-delegated managers concerning staffing values, their responsibility to document their decisions, and their accountabilities; ethics training for sub-delegated managers; training and coaching for staffing officers on their responsibility to advise managers on options and risks; and additional monitoring. The action plan has been integrated into our plans for the implementation of the new *Public Service Employment Act*, which will continue to contribute to the strengthening of the exercise of staffing sub-delegation and management accountability.

Recommendations and departmental action plan

Recommendation 1

The Deputy Minister should ensure the development and implementation of improved formal guidance related to acting appointment authority and without competition authority to support managers with sub-delegated staffing authority and to ensure consistent advice from human resources officials.

Response to Recommendation 1

The Deputy Minister commits to the following:

- 1) As part of the suite of policies under Human Resources Modernization, develop, implement and communicate to both sub-delegated managers and human resources consultants a policy on “Acting Appointments” and “Non-Advertised Processes” (January 1, 2006).
- 2) Communicate with all sub-delegated managers to reiterate the staffing values of equity, fairness and transparency and their accountability for upholding these values and provide specific guidance in the following areas (September 2005):
 - the need for better planning in order to stabilize organizations;
 - the need to reduce and regularize acting situations using appropriate processes;
 - restricted authority for “appointments without competition”;
 - management accountabilities regarding the documenting of selection decisions; and
 - the requirement for mandatory consultation with human resources advisors on all staffing actions.

Recommendation 2

The Deputy Minister should determine whether without competition appointment staffing authority under subsection 10(1) of the *Public Service Employment Act* should be restricted to Branch Heads (Level 1), and to positions reporting directly to Branch Heads (Level 2), until improved formal departmental guidance has been implemented and monitored for results.

Response to Recommendation 2

The Deputy Minister commits to the following:

- 1) Delegation of authority for “Appointments Without Competition” will be restricted to Levels 1 and 2 until the implementation of the new PSEA.
- 2) The Assistant Deputy Minister, Corporate Services, Human Resources and Communications Branch will send a communiqué to all sub-delegated managers (refer to Response to Recommendation 1).
- 3) Monitor, at a corporate level, the use of Non-Advertised Processes based on established criteria (2006-2007).

Recommendation 3

The Deputy Minister should immediately institute effective safeguards to prevent personal favouritism (bureaucratic patronage) in staffing.

Response to Recommendation 3

- 1) To ensure values and ethics are respected, the Department has communicated:
 - the requirement for managers to complete a signed statement of board members for all appointments; and
 - interim guidelines for the reference of managers and employees until the update to the Departmental policy on Employment of Relatives and Associates is published (Fall 2005).
- 2) Ethics training is mandatory for all persons in positions at risk. The Department will make ethics training mandatory for all sub-delegated managers and ensure that this is clearly communicated to all branches/agencies.
- 3) It is recognized that:
 - the new PSEA contains strong legislative safeguards against possible personal favouritism (bureaucratic patronage). These safeguards will be reinforced through their integration into all management training for the implementation of the legislation; and
 - the PSC *Study of Personal Favouritism in Staffing and Recruitment within the Federal Public Service* should provide some clarity around the definition and identification of high-risk situations that the Department can use to actively monitor its activities.

Recommendation 4

The Assistant Deputy Minister, Corporate Services, Human Resources and Communications Branch should reinforce, and regularly communicate, the requirement to ensure that adequate information is available to demonstrate that final selection decisions are compliant, appropriate and values-based.

Response to Recommendation 4

The Assistant Deputy Minister, Corporate Services, Human Resources and Communications Branch will:

- make a presentation to the Departmental Human Resources Committee (HRC) to reinforce management accountabilities (Fall of 2005);
- send a communiqué to all sub-delegated managers (refer to Response to Recommendation 1); and
- ensure that a review is conducted on a sample of files to determine that appropriate documentation is being provided.

Recommendation 5

The Assistant Deputy Minister, Corporate Services, Human Resources and Communications Branch should ensure that human resources officials fulfil their responsibilities through actively offering staffing advisory services to managers.

Response to Recommendation 5

- 1) An “on-site” human resources presence has been established and a human resources advisor now participates on the Management Committee for the Industrial Security Sector (ISS).
- 2) The Assistant Deputy Minister, Corporate Services, Human Resources and Communications Branch will:
 - make a presentation to the Departmental Human Resources Committee (HRC) to reinforce human resources responsibilities (Fall 2005); and
 - provide training (coaching, awareness sessions) to human resources advisors to ensure that they are well aware of their role in advising managers on staffing options and risks, and their role in promoting respect for the staffing values among sub-delegated managers.

Recommendation 6

The Deputy Minister should ensure the implementation of an active monitoring system to assess the management of sub-delegated staffing authorities within PWGSC.

Response to Recommendation 6

The Deputy Minister commits to the following:

- 1) Expansion of the current departmental approach to monitoring (Bilan Social trends analysis and on-site file reviews) to include an active monitoring system and policy as part of the implementation of the new PSEA, based on the departmental staffing framework, the mandatory elements required by the PSC Staffing Framework, the Staffing Management Accountability Framework (SMAF) and the Treasury Board Secretariat Policy on Active Monitoring.
- 2) The allocation of resources to active monitoring (March 31, 2006).