

# **Audit Report**

## **Audit of Contracting and Procurement Activities**

Audit and Evaluation Branch

August 2012

Recommended for Approval to the Deputy Minister by the  
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# 1.0 Executive Summary

## 1.1 Introduction

Industry Canada (IC) uses a variety of contracting and procurement mechanisms, including competitive contracts, call ups and task authorizations against standing offers, non-competitive contracts, professional services contracts, temporary help services, and purchase orders for goods and services. During the calendar year 2011, the department issued a total of 5,854 contracts for a value of \$78.6 million.

Contract and Material Management (CMM) is the department's centre of expertise for procurement. CMM reports to the Director General (DG) of Corporate Finance, Systems and Procurement Branch, within the Comptrollership and Administration Sector.

The Treasury Board Contracting Policy, along with the Industry Canada Contracting Control Framework, constitutes the cornerstone of the management control framework for IC contracting. IC has decentralized contracting and procurement of goods and services to its Branches, Sectors, Regions and semi-autonomous organizations. The department's Programs and Services Board serves as the governance and oversight mechanism for the contract review process.

In 2008, the Audit and Evaluation Branch (AEB) completed an audit of contracting and identified areas for improvement. As a partial response to the audit recommendations, CMM developed its Contracting Control Framework (CCF), which outlines a standard, department-wide approach to contracting and procurement. This framework was approved in February 2012. In conjunction with the roll out of CCF, CMM has improved its monitoring activities to increase the level of assurance regarding the contracting and procurement activities performed by Procurement Officers and Contracting Advisors. The Summary of Delegated Contracting Authority matrix was also updated in September 2011.

In accordance with the approved Industry Canada 2012-13 to 2014-15 Multi-Year, Risk-Based Internal Audit Plan, AEB undertook an Audit of Contracting and Procurement Activities.

The objective of this audit was to provide senior management with assurance that:

1. An adequate management control framework with respect to governance and internal control is in place to effectively support contracting and procurement activities; and
2. Contracting and procurement activities are processed in a manner that is compliant with applicable policies, procedures and regulations.

The audit examined controls within IC Branches, Sectors, Regions and semi-autonomous organizations related to entering into contracts, and managing the contracting and procurement processes.

The audit found that Industry Canada has, with some exceptions, an adequate management control framework to effectively support contracting and procurement activities in a manner that is compliant with the applicable policies, procedures and regulations.

## 1.2 Main Findings and Recommendations

During the audit fieldwork, AEB observed examples of properly designed and effectively applied controls. This led to these positive findings:

- **Governance:** Adequate governance practices (such as the Programs and Services Board) and monitoring mechanisms exist to ensure compliance with financial management and contracting and procurement policies.
- **Roles and responsibilities:** Authority and accountability over contracting are clearly defined in the Summary of Delegated Contracting Authority matrix, and roles and responsibilities are clearly defined in the CCF. Both documents have been widely communicated to departmental employees.
- **Training, tools and support:** Employees receive the training and tools needed to support their contracting and procurement responsibilities. Contracting authorities receive training through a formal curriculum offered by CMM and externally.
- **Communication:** Relevant and accurate information on contracting and procurement activities is developed and reported to stakeholders in a timely manner. Regular newsletters, bulletins and communiqués provide information regarding policy updates, procedure changes and delegation of contracting and financial authority threshold changes.

AEB also identified opportunities where management practices and processes could be enhanced, as summarized below:

### CMM Monitoring Approach

An opportunity exists to enhance CMM's risk-based approach for monitoring contract files.

- **Recommendation 1:** The DG of Corporate Finance, Systems and Procurement Branch should revise the monitoring sampling approach by taking into consideration controls in place and determine the optimal level of monitoring required for contracting and procurement activities.

### Procurement Planning

An opportunity exists to analyze contracting and procurement requirement information at a departmental level in order to identify potential efficiencies (e.g. strategic sourcing).

- **Recommendation 2:** The DG of Corporate Finance, Systems and Procurement Branch should ensure that an ongoing review of procurement requirement information is performed so that, where feasible, potential efficiencies in departmental procurement activities are identified and measures to achieve the efficiencies are implemented.

## Retention of File Documentation

Although most contract files are documented and administered to cover key aspects of the department's contracting and procurement activities, exceptions were noted.

- **Recommendation 3:** The DG of Corporate Finance, Systems and Procurement Branch should reinforce and communicate the appropriate documentation requirements and roll out tools (e.g. checklists) to support employees in maintaining their contracting files.

## Approval and Use of Appropriate Contracting and Procurement Mechanisms

Although formal authorities are in place and approval practices are documented, an opportunity exists to reinforce proper implementation of these delegations of approvals.

- **Recommendation 4:** The DG of Corporate Finance, Systems and Procurement Branch should reinforce the requirement for proper and timely commitment and contracting authority approvals and the use of appropriate contracting and procurement mechanisms.

## 1.3 Audit Opinion

In my opinion, an appropriate management control framework, with respect to governance and internal control, of contracting and procurement activities is in place at Industry Canada with no material weaknesses. Improvements are required to address low to moderate risk exposures in the areas of approach to contract monitoring, procurement planning, retention of contract file documentation and timely approvals of contracting activity.

## 1.4 Statement of Conformance

The audit was conducted in accordance with the Internal Auditing Standards for the Government of Canada. A practice inspection has not been conducted.

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Susan Hart  
*Chief Audit Executive, Industry Canada*

## 2.0 About the Audit

### 2.1 Background

In accordance with the approved Industry Canada 2012-13 to 2014-15 Multi-Year, Risk-Based Internal Audit Plan, the Audit and Evaluation Branch undertook an Audit of Contracting and Procurement Activities.

Industry Canada uses a variety of contracting and procurement mechanisms, including competitive contracts, call ups and task authorizations against standing offers, non-competitive contracts, professional services contracts, temporary help services, and purchase orders for goods and services. During the calendar year 2011, the department issued a total of 5,854 contracts for a value of \$78.6 million.

Contract and Material Management is the department's centre of expertise for procurement. It produces policies and procedures and provides guidance regarding contracting and procurement activities. CMM reports to the Director General of Corporate Finance, Systems and Procurement Branch, within the Comptrollership and Administration Sector.

The Treasury Board Contracting Policy, along with Industry Canada's Contracting Control Framework, constitutes the cornerstone of the management control framework for the management of IC contracting. IC has decentralized the contracting and procurement of goods and services to the Branches, Sectors, Regions and semi-autonomous organizations. The department's Programs and Services Board (PSB) serves as the governance and oversight mechanism for the contract review process.

The Audit and Evaluation Branch completed an audit of contracting in 2008 and identified areas for improvement. As a partial response to the audit recommendations, CMM developed its Contracting Control Framework (CCF) in consultation with other Sectors of Industry Canada. This Framework, approved in February 2012, outlines a standard, department-wide approach to contracting and procurement activities. It is aligned with departmental and Treasury Board policies and directives to establish controls, monitoring, and reporting procedures for contracting activities. It is also intended to guide employees at all levels with delegated contracting authority and/or responsibility for departmental assets. CMM started to informally apply the CCF in 2011-12 in anticipation of it being approved.

In conjunction with the roll out of the CCF, CMM has improved its monitoring activities, including detailed file sampling for compliance with the CCF and Treasury Board Contracting Policy, to increase the level of assurance regarding the contracting and procurement activities performed by Procurement Officers and by Contracting Advisors. In addition, the Summary of Delegated Contracting Authority matrix, which clearly outlines roles and responsibilities over contracting and procurement activities, was updated in September 2011.

## Contracting Control Framework

In accordance with the Treasury Board (TB) *Policy Framework for the Management of Assets and Acquired Services*, Industry Canada's Minister is ultimately responsible for all contracting activities and management of assets within the department. This authority is delegated to Industry Canada employees based on need, capacity and an effective regime of accountabilities and responsibilities.

Employees to whom this authority has been delegated must exercise it with prudence and probity and in accordance with the *Government Contracts Regulations*, the Treasury Board *Contracting Policy*, and all other related policies and directives.

To ensure compliance with the *Policy Framework for the Management of Assets and Acquired Services*, the Deputy Minister (DM) and the Chief Financial Officer (CFO) are responsible for implementing an effective management framework, including departmental procedures, processes and systems.

In fulfilling their responsibilities, the DM and the CFO must be able to rely on Officers, Managers and other employees within the department who are responsible for exercising contractual authorities to deliver on the department's mandate and who are entrusted with the management of public funds, through the authority delegated to them. The conduct and decisions of these employees must be able to withstand scrutiny from the public, the media, parliamentary committees, and independent organizations such as the Office of the Auditor General and the Office of the Procurement Ombudsman.

## 2.2 Objective and Scope

The audit objective was to provide senior management with assurance that:

1. An adequate management control framework with respect to governance and internal control is in place to effectively support contracting and procurement activities; and
2. Contracting and procurement activities are processed in a manner that is compliant with applicable policies, procedures and regulations.

The audit examined controls within IC Branches, Sectors, Regions and semi-autonomous organizations (e.g. CIPO, Measurement Canada, etc.) related to entering into contracts, and managing the contracting and procurement processes. AEB selected a sample of 60 contract files dated from January 2011 to December 2011.

Acquisitions cards were excluded from the scope of this audit because they are managed by a different functional area than CMM and follow a different process.

## 2.3 Audit Approach

The audit was conducted in accordance with the Internal Auditing Standards for the Government of Canada. Sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the conclusion and opinion provided and contained in this report. The opinion is based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria that were agreed on with management. The opinion is applicable only to the entities examined and within the scope described herein.

The planning phase for this audit took place from December 2011 to March 2012. A detailed risk assessment was performed to confirm the audit objective and areas that warranted further examination in the conduct phase of the audit. Based on the identified risks, AEB developed audit criteria by focusing on the requirements of the Contracting Control Framework and the related Treasury Board policies, directives and guides, particularly the TB *Contracting Policy*. Appendix A of this audit report lists the audit criteria.

The conduct phase for this audit took place at Industry Canada headquarters from March to July 2012. Sample files from Branches, Sectors, Regions and semi-autonomous organizations were provided to AEB for testing purposes. AEB reviewed documents and conducted interviews with individuals from Finance, Sectors and Branches and with Procurement Officers within CMM. AEB also selected a sample of 60 contract files and executed detailed control testing of the files for operating effectiveness. Eight of the files were tested only for re-performance of the financial monitoring activities performed by CAS, as described in the CCF. The remaining 52 files were tested for compliance with the CCF and relevant TB policies, directives and guidelines.

AEB tested key controls related to the contracting and procurement process and to other areas in the departmental Contracting Control Framework. The objective of the testing was to evaluate the extent to which IC operates in compliance with the CCF requirements and the Treasury Board *Contracting Policy*.

In July 2012, AEB met with CMM senior management to validate the accuracy of the findings contained in this report.



## 3.0 Findings and Recommendations

### 3.1 Introduction

This section presents detailed findings from the Audit of Contracting and Procurement Activities. The findings are based on evidence and analysis from both the initial risk assessment and the detailed audit work.

In addition to the findings below, AEB has communicated findings of conditions that were non-systemic and of low risk to management, verbally and in a management letter, for consideration.

### 3.2 Governance

Adequate governance practices exist, such as the Programs and Services Board, and monitoring mechanisms are in place to ensure compliance with financial management and contracting and procurement policies and authorities.

Oversight and governance practices should be in place to ensure compliance with financial management and procurement policies and authorities. The governance structure should include an optimal balance of knowledge and skill sets as well as specific knowledge of contracting and procurement policies.

At Industry Canada, the Programs and Services Board serves as a forum of senior departmental officials pertaining to contracting and procurement activities. It is responsible for:

- reviewing procurement related proposals and amendments,
- providing advice to Program Managers, and
- making recommendations for consideration by the approval authority.

Thresholds for procurement activity requiring PSB review are outlined in the CCF. CMM is responsible for setting policies and procedures that help ensure departmental contracting and procurement activities are performed consistently. CMM is also responsible for the design and implementation of a monitoring strategy to monitor compliance with the CCF.

In the course of the audit, AEB assessed the adequacy of PSB as a governance mechanism for contracting and procurement activities and examined whether the role of PSB is being carried out as intended. To do so, AEB interviewed key personnel in CMM, examined the PSB Terms of Reference, and sampled meeting agendas and records of decisions.

The audit found that:

- PSB meets bi-weekly to discuss procurement-related proposals and amendments
- a quorum is present at each meeting, and
- membership and participation includes Assistant Deputy Minister (ADM) and Director General level members from Sectors and Branches, as well as Legal, Finance and regional representatives who provide an appropriate level of perspectives and insight on contracting and procurement activities.

The audit noted that PSB reviewed approximately \$45M of the total of \$78.6M (56%) of contracts issued by Industry Canada during the 2011 calendar year.

With respect to monitoring compliance with the CCF, the audit found that CMM has implemented a monitoring program and conducts an annual review of the physical contract files as well as a monthly review of the Integrated Financial and Materiel System (IFMS) inputs related to the contracts. CMM management examines and tracks the results of the monitoring and reports the results to senior management.

### 3.3 CMM Monitoring Approach

An opportunity exists to enhance CMM's risk-based approach for monitoring contract files.

As noted in the CCF, CAS is responsible for monitoring compliance to the CCF. To ensure that effective contracting and procurement controls are in place and working as intended, the CCF prescribes contract monitoring activities, which are conducted by CMM.

In the course of this audit, AEB examined the CCF contract monitoring approach and contract risk levels, and interviewed CMM management to assess the reasonableness of controls within the CCF (e.g. requirement for high risk contracts to be reviewed by PSB and risk-based approach to monitoring contracts).

The audit found that on an annual basis, CMM randomly selects a sample of contracts it considers to be of high and medium risk. High risk contracts include:

- construction contracts
- purchase orders for services greater than \$25,000
- service contracts greater than \$25,000, and
- Requisition for Goods and Services documents.

Medium risk contracts include:

- purchase orders for services up to and including \$25,000
- service contracts for services up to and including \$25,000
- task authorizations, and
- temporary help services.

Thresholds also exist for PSB review of procurement proposals, such as:

- contract intentions above \$100,000
- task authorizations and call-ups against standing offers over \$200,000, and
- all sole-source contracts above \$25,000.

PSB's mandate includes making recommendations to approval authorities regarding departmental contracting and procurement activities.

The audit found that the current sampling approach and sample sizes used by CMM do not adequately take into consideration other management controls, such as PSB review and recommendations and contracting services provided externally by Public Works and Government Services Canada.

CMM may now select for additional review higher risk contracts that are already subject to tighter oversight and management control (e.g. PSB review), even though the existence of other governance controls means the risk of non-compliance is low. This random sampling approach does not allow CMM to adequately consider trends or past issues in its sample selection, or ensure that new risks to the contracting and procurement processes, such as those created by recent organizational and process changes, are adequately represented in the sample selected.

In addition, the audit found that a sample of 15 contracts is selected from the high and medium risk contract types in each Branch or Sector, regardless of the total number of contracts in that Branch or Sector. An opportunity exists to vary the sample size based on the risks identified or the total number of contracts in the population being examined.

### *Recommendation 1*

*The DG of Corporate Finance, Systems and Procurement Branch should revise the contract monitoring sampling approach by taking into consideration controls in place and determine the optimal level of monitoring required for contracting and procurement activities.*

## **3.4 Roles and Responsibilities**

Authority and accountability over contracting are clearly defined in the Summary of Delegated Contracting Authority matrix, and roles and responsibilities are clearly defined in the Contracting Control Framework. Both documents have been widely communicated to departmental employees.

Through the Summary of Delegated Contracting Authority matrix, Industry Canada has established approval levels for the contracting process. Roles and responsibilities for ADMs, Business Unit Heads, Responsibility Centre Managers, Contracting Authorities, Comptroller and Administration Sector, and CMM are clearly defined in Section 3 of the CCF.

In the course of the audit, AEB reviewed the delegated financial and contracting authorities and interviewed management to confirm roles and responsibilities were in place, understood and communicated with regards to expenditure initiation, commitment of funds, contracting authority, certification and verification.

The audit found that the Summary of Delegated Contracting Authority matrix was updated in September 2011 to reduce the number of delegated authorities and to better match delegated authority levels to positions, knowledge, and expertise in the department. Delegation levels were determined based on historical trends. Affected staff members were notified and provided training so they could obtain or retain those authorities.

The audit also found that the CCF clearly defines contracting and procurement roles, responsibilities, authorities and accountabilities. The framework has been widely communicated to departmental employees and is well understood by those interviewed.

### 3.5 Procurement Planning

An opportunity exists to analyze contracting and procurement requirement information at a departmental level in order to identify potential efficiencies (e.g. strategic sourcing).

In the course of the audit, AEB interviewed management to determine how Sector and Branch contracting and procurement needs are consolidated in the department's procurement plans (e.g. annual business plan) and addressed by CMM to manage long-term contracting and procurement activities.

The audit found that Industry Canada uses mechanisms other than a departmental procurement plan to plan contracting and procurement needs. In two areas (translation services and second language training), departmental procurement instruments have been established in response to common procurement needs. These mechanisms are:

- Industry Canada's annual investment plan includes contracting, procurement and investment projects, but only projects that are over a five-year period and/or for more than \$500,000.
- PSB reviews contracting and procurement actions to determine whether the planned activities provide optimal use of resources and value for money. However, as noted above, PSB does not review all contracting and procurement actions, but only contract intentions above \$100,000, task authorizations and call-ups against standing offers over \$200,000, and all sole-source contracts above \$25,000. The audit found that PSB reviews approximately 50% of all contracting and procurement activities.
- Lastly, the audit found that even though CMM, as Secretariat to PSB, strives to review procurement requests as thoroughly as possible, it does not formally analyze all procurement requests for efficiency, savings opportunities or planning for longer-term procurement needs.

Without an ongoing review of procurement requirement information, a risk exists that Sectors, Branches and semi-autonomous organizations will obtain similar goods and/or services without identifying potential efficiencies in procurement requirements and planning for longer-term procurement needs.

### *Recommendation 2*

*The DG of Corporate Finance, Systems and Procurement Branch should ensure that an ongoing review of procurement requirement information is performed so that, where feasible, potential efficiencies in departmental procurement activities are identified and measures to achieve the efficiencies are implemented.*

## **3.6 Training, Tools and Support**

Employees receive the training and tools needed to support their contracting and procurement responsibilities. Contracting authorities receive training through a formal curriculum offered by CMM and externally.

According to the CCF, employees with contracting authorities are required to take and pass a series of procurement and contracting courses based on their position and level to obtain and/or maintain their delegation(s) of authorities. A formal training curriculum (i.e. a listing of the mandatory courses required for incumbents of positions with delegated contracting authority) is outlined in the CCF.

During this audit, AEB interviewed CMM management to understand the training process and identify training needs and opportunities. The audit also examined examples of tools (e.g. course listings, course contents, checklists) used to educate employees about procurement and contracting activities.

The audit found that interviewees with contracting authorities were satisfied with both the training and the tools provided. They were also comfortable communicating with CMM directly when they have questions regarding the interpretation of policies, guidelines and directives. In addition, the audit found that the training and development CMM provides helps fulfill CMM's mandate to act as a reliable contracting advisory function for the department. CMM also supports the department by providing continuous knowledge sharing and learning related to contracting and procurement policies, guidelines and directives.

Training is through formal courses offered by CMM and externally. The audit found that CMM keeps a record of all courses and certifications taken by Procurement Officers within its Branch and monitors the training required for other departmental delegated contracting authorities.

Training plans for contracting authorities are in place and contracting and procurement training activities are managed and coordinated by CMM.

### 3.7 Communication

Relevant and accurate information on contracting activities is developed and reported to stakeholders in a timely manner. Regular newsletters, bulletins and communiqués provide information regarding policy updates, procedure changes and delegation of contracting and financial authority threshold changes.

During this audit, AEB interviewed CMM management to ask how contracting and procurement information is identified and analyzed and what information CMM provides to PSB, Sector and Branch delegated contracting authorities, Program Officers, and senior management.

The audit found several examples of contracting activity reporting:

- the annual report to PSB, giving a statistical overview of the contracts recommended for approval during the year
- the monthly proactive disclosure report to the Deputy Minister, detailing all contracts over \$10,000
- annual reports on CMM monitoring activity, and
- monthly IFMS data integrity reviews.

Through the examination of samples of regular bulletins, communiqués and newsletters (e.g. CMM Staying in Touch, IFMS Communiqué), the audit found that CMM uses several different communication mechanisms to provide departmental employees with information regarding policy, guidelines, procedure changes, and changes to financial authority thresholds. The audit found these communication vehicles provide relevant contracting and procurement information.

### 3.8 Retention of File Documentation

Although most contract files are documented and administered to cover key aspects of the department's contracting and procurement activities, exceptions were noted.

In February 2012, CMM released the Contracting Control Framework, which governs contracting and procurement activities for the department. The CCF was applicable to the 2011-2012 fiscal year. It includes roles and responsibilities for contracting and procurement activities. Appendix C of the CCF requires that appropriate contract file documentation be retained for internal tracking purposes, to facilitate internal and external audits, and to conform to Treasury Board's *Policy Framework for the Management of Assets and Acquired Services*, which requires that supporting evidence be available to sustain the test of an audit.

During the audit, AEB selected a sample of contract files to test for overall compliance with the CCF and to ensure evidence was available that clearly supported contracting and procurement activities throughout the contract life-cycle.

Generally, the audit testing concluded that evidence exists in the contract files to support and demonstrate compliance with the CCF. However, for some of the files tested, not all of the required documentation was properly retained or the documentation was not provided to AEB.

The more common exceptions included:

- The statement of work was sometimes missing from the file or lacked required details;
- Evidence of PSB recommendation for approval (control number or email) was not always included in the file;
- Proof of delivery (goods receipt, invoice) and evidence of monitoring were sometimes missing from the file; and
- Amendments made in IFMS were not always properly reflected in the contract file.

In addition, two contract files selected for review could not be located and therefore were not provided to AEB.

There is a risk that without proper supporting documentation for recommendations, decisions, approvals and monitoring in the contract file, the department would be non-compliant with the CCF and the Treasury Board *Policy Framework for the Management of Assets and Acquired Services*.

### ***Recommendation 3***

***The DG of Corporate Finance, Systems and Procurement Branch should reinforce and communicate the appropriate documentation requirements and roll out tools (e.g. checklists) to support employees in maintaining their contracting files.***

## **3.9 Approval and Use of Appropriate Contracting and Procurement Mechanisms**

Although formal authorities are in place and approval practices are documented, an opportunity exists to reinforce proper implementation of these delegations of approvals.

Evidence of approval by a delegated authority must be retained to ensure compliance with the Financial Administration Act and the Summary of Delegated Financial and Contracting Authority matrix. Delegated approval must be given in a timely manner to ensure that due diligence is performed prior to the start of a contract or procurement activity.

The CCF outlines the thresholds for PSB review of procurement proposals, and commodities for which the use of standing offers is mandatory.

During the audit, AEB tested a sample of 60 contract files to ensure that evidence was available that clearly supported delegated and appropriate approvals. Testing noted the following exceptions:

- Delegated commitment authority/approval (Financial Administration Act Section 32) was not always signed.

- Delegation of contracting authority (FAA Section 41) was sometimes not signed, not dated, or signed after the commencement of work. In a few instances, contracts were signed within two weeks after the commencement of work; in one instance, FAA Section 41 was signed more than seven months after the work had started.

Audit testing found two cases in which an incorrect bid solicitation method was used. Management noted that the guidance provided at the time may have been misunderstood by Industry Canada staff.

Audit testing also found two cases (out of a possible 10) in which PSB recommendation for approval was not obtained.

Without appropriate approval as per delegated authorities and Industry Canada policy, there is a risk of non-compliance with the FAA and increased potential that contracting and procurement activities will not comply with Industry Canada policy.

#### ***Recommendation 4***

***The DG of Corporate Finance, Systems and Procurement Branch should reinforce the requirement for proper and timely commitment and contracting authority approvals and the use of appropriate contracting and procurement mechanisms.***



## 4.0 Overall Conclusion

The audit found that Industry Canada has, with some exceptions, an adequate management control framework to effectively support contracting and procurement activities, and that these activities are processed in a manner that is compliant with the applicable policies, procedures and regulations.

## Appendix A: Audit Criteria

Criteria	Met / Not Met / Met with Exceptions
<b>Governance, Strategic Direction and Accountability</b>	
1.1 Adequate governance/ oversight exists over contract and procurement related activities.	Met
1.2 The Contracting Control Framework in place has been clearly communicated and establishes adequate controls for contract and procurement activities.	Met with exceptions
1.3 Authority, responsibility and accountability for the procurement process are clearly defined and communicated.	Met
1.4 Procurement planning activities adequately establish the needs and requirements of the department and result in a long-term procurement plan.	Met with exceptions
<b>People</b>	
2.1 Employees are provided the necessary training and tools to support their contracting and procurement responsibilities.	Met
<b>Results and Performance Measurement</b>	
3.1 Relevant and accurate information on contracting and procurement activities is developed and reported to stakeholders in a timely manner.	Met
3.2 Monitoring mechanisms are in place to ensure compliance with financial management and procurement policies and authorities.	Met
<b>Stewardship</b>	
4.1 Requirements are clearly defined and expenditure initiation is approved appropriately.	Met with exceptions
4.2 Purchases are made only for approved requisitions where sufficient funds are available (FAA Section 32; FAA Section 41).	Met with exceptions
4.3 Tendering and bid selection are in accordance with prescribed government requirements and are adequately documented.	Met with exceptions
4.4 Contracts are adequately documented to cover all deliverables, tasks and costs related to the contracted activity.	Met with exceptions
4.5 Contracts are appropriately administered including monitoring the contract, the receipt and acceptance of deliverables, the monitoring of financial performance and resolving vendor issues.	Met with exceptions
4.6 Amounts for goods and services received are accurate and approved by a delegated authority.	Met with exceptions

## Appendix B: Management Action Plan

Recommendation	Planned Action on the Recommendation	Responsible Official	Target completion date
<p><b>Recommendation 1:</b></p> <p>The DG of Corporate Finance, Systems and Procurement Branch should revise the monitoring sampling approach by taking into consideration controls in place and determine the optimal level of monitoring required for contracting and procurement activities.</p>	<p>The DG of the Corporate Finance, Systems and Procurement Branch (CFSPB) will revise the monitoring sampling approach to take into consideration controls in place and determine the optimal level of monitoring required for contracting and procurement activities by undertaking the following action:</p> <p>CMM will review the yearly and monthly monitoring methodology outlined in the Contracting Control Framework (CCF) to incorporate the following factors when determining the appropriate level of monitoring:</p> <ul style="list-style-type: none"> <li>○ Amount of contracts</li> <li>○ Risk associated with the type of contracts issued</li> <li>○ Complexity of transactions</li> <li>○ Past monitoring results (if applicable)</li> <li>○ Current controls in place (e.g. PSB review)</li> </ul>	<p>DG, CFSPB</p>	<p>December 2012</p>

Recommendation	Planned Action on the Recommendation	Responsible Official	Target completion date
<p><b>Recommendation 2:</b></p> <p>The DG of Corporate Finance, Systems and Procurement Branch should ensure that an ongoing review of procurement requirement information is performed so that, where feasible, potential efficiencies in departmental procurement activities are identified and measures to achieve the efficiencies are implemented.</p>	<p>The DG CFSPB will implement a new standing item for procurement review at the CMM bi-weekly contracts team meeting to ensure that upcoming and current requirements are reviewed to identify potential efficiencies in departmental procurement activities.</p>	<p>DG, CFSPB</p>	<p>October 2012</p>

Recommendation	Planned Action on the Recommendation	Responsible Official	Target completion date
<p><b>Recommendation 3:</b></p> <p>The DG of Corporate Finance, Systems and Procurement Branch should reinforce and communicate the appropriate documentation requirements and roll out tools (e.g. checklists) to support employees in maintaining their contracting files.</p>	<p>The DG, CFSPB will reinforce and communicate the appropriate documentation requirements to support employees in maintaining the contracting files by undertaking the following actions:</p> <ul style="list-style-type: none"> <li>○ Inclusion of new contracting tools such as process flow charts, narratives and file checklists in the upcoming revision to the CCF</li> <li>○ Re-launch of the “Staying in Touch” communication tool to include information pieces related to the proper contract file administration and maintenance.</li> </ul>	<p>DG, CFSPB</p>	<p>December 2012</p> <p>Complete and Ongoing: Staying in Touch was officially re-launched in February 2012 and is now issued on a quarterly basis. June and September editions have also been issued to date.</p>

Recommendation	Planned Action on the Recommendation	Responsible Official	Target completion date
<p><b>Recommendation 4:</b></p> <p>The DG of Corporate Finance, Systems and Procurement Branch should reinforce the requirement for proper and timely commitment and contracting authority approvals and the use of appropriate contracting and procurement mechanisms.</p>	<p>The DG, CFSPB will reinforce the requirement for proper and timely commitment and contracting authority approvals and the use of appropriate procurement mechanisms by undertaking the following actions:</p> <ul style="list-style-type: none"> <li>○ CMM will review the CCF to strengthen the guidance information related to commitment and contracting authority.</li> <li>○ Process maps and narratives will be included in the upcoming revision to the CCF to:               <ul style="list-style-type: none"> <li>a) assist contracting authorities in determining appropriate procurement mechanisms; and,</li> <li>b) indicate the proper sequence of approval authorities.</li> </ul> </li> </ul>	<p>DG, CFSPB</p>	<p>December 2012</p> <p>December 2012</p>