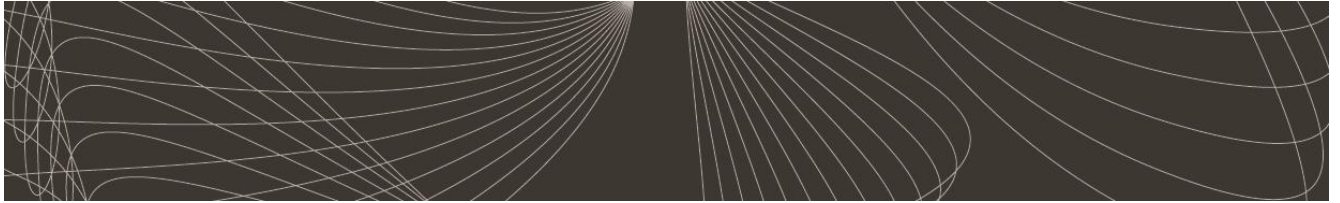**Library and Archives Canada**

Bibliothèque et Archives Canada

LIBRARY AND ARCHIVES CANADA

INTERNAL AUDIT

REPORT

ON

THE REVIEW OF

ACQUISITION PROCESSES FOR COLLECTIONS

DECEMBER 2010

Canadä

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EXECUTIVE SUMMARY

Library and Archives Canada (LAC) has a mandate to preserve and make available the documentary heritage of Canada and to serve as the continuing memory of the federal government and its institutions.

The unprecedented volume of information has fuelled new hope among users seeking greater access to information and who share it with the government and society. New perspectives and approaches were needed to acquire the documentary heritage of Canada, preserve it, and make it accessible within the resources available to LAC. Making an acquisition entails finding the most important documentary heritage among increasing volumes of information. The purpose of reviewing management practices was to determine whether the governance structure, risk management and controls in place for various acquisition processes for the LAC collection was effective and consistent with the organization's strategic directions.

As part of its modernization initiative, LAC began developing a new acquisition management framework based on three pillars of documentary heritage: acquisition, preservation, and resource discovery. This framework will rely on the four guiding principles for determining the value of acquisitions: significance, sufficiency, sustainability and society. Essentially, making acquisitions means locating the most significant documents in an overabundance of information. Moreover, in the Results-based Management and Accountability Framework (RMAF) being prepared, developing the collection is an activity to be monitored in terms of performance.

However, at the time of our review, a management framework based on three documents prepared in 2005–06 nonetheless provided clear and specific guidelines for the branches responsible for collection development while providing appropriate oversight in the development of acquisition strategies based on LAC's key directions and priorities. However, the framework does not take financial and human resource limitations into account.

In addition to the management framework, LAC has a detailed and exhaustive Digital Collection Development Policy. The policy contains a strategic framework, an acquisition policy statement, guidelines on the selection and acquisition of websites, and establishes roles and responsibilities.

However, a policy on the development of collections overall would provide an opportunity to set out the requirements and terms of use for:

✓ the acquisition of documents on Aboriginal and multicultural communities in a manner consistent with the key directions established in the Collection Development Framework;
✓ accountability and gauging the results achieved based on the development of the collection;
✓ oversight in major acquisitions;
✓ incorporating risk management into the acquisition process.

A great deal of work has yet to be done to gauge the progress toward achieving budgetary targets and producing activity reports that contain financial results. LAC needs to develop and provide data-collection and accountability tools and mechanisms.

LAC has developed an initial risk profile and identified the key risk factors and uncertainties that could have an impact on operational planning and environments. One significant risk LAC faces in fulfilling its mandate and commitments is the lack of appropriate financial, human and technological resources, in the absence of reliable

partnerships, to assure the preservation of digital and analogue documentary heritage. However, a risk management framework specific to acquisitions and collection development with mitigation measures has yet to be developed. Without a risk management framework, a risk-based acquisitions budget cannot be planned.

The Collection Development Committee (CDC) and the Major Acquisitions Committee (MAC) play an important role in the decision-making process for strategic collection development and in approving major acquisitions. Mandates need to be more specific with regard to sharing roles and responsibilities among managers, professionals, and CDC members, and in terms of the decision-making criteria on which the MAC relies to justify its decisions.

Directions for Change is a document that encourages the use of tools, such as the total cost of ownership methodology, to ensure effective heritage stewardship and risk management. We encourage LAC to adopt the total cost of ownership methodology in its acquisitions.

Given the significant observations made in this report, we cannot find that the governance structure, risk management and controls in place for various LAC collection acquisition processes were effective during the period reviewed, from 2006–07 to 2008–09, nor did they comply with the organization's strategic directions.

RECOMMENDATIONS

LAC should:

- clarify its approach in its Collection Development Framework based on its acquisition capacity limitations;

- develop operating plans that set out objectives, strategies and measures to ensure the implementation of its key directions;

- develop a policy on acquiring documents based on strategic directions, the accountability mechanism, the integration of risk management, and the roles and responsibilities in the acquisition process;

- develop acquisition procedures that define the various steps of the acquisition process and clarify the selection criteria for informed decision making;

- develop guidelines on forging partnerships;

- develop performance indicators for all acquisition processes that take into account the expected results and budgetary targets;

- develop data-collection and accountability tools and mechanisms based on a standard model in order to gauge progress toward achieving budgetary targets, and prepare activity reports that contain financial results;

- ensure that the mandates for the CDC and MAC specify:
  1. the sharing of roles and responsibilities by the managers and professionals involved and the CDC members;
  2. the decision-making criteria the MAC must use to justify its decisions;
  3. that decisions made by both committees must be well documented.

- develop a risk management framework tailored to the acquisition process and to collection development, including mitigation measures;

- develop guidelines on:
  1. control mechanisms to ensure appropriate oversight of the acquisition process;
  2. active and ongoing monitoring methods for management's use in the acquisition process;
  3. use of the total cost of ownership methodology;
  4. the need to carefully document the assessment of selection criteria relevant to decision making in all records.

BACKGROUND

Library and Archives Canada (LAC) has a mandate to preserve Canada's documentary heritage and make it accessible to all, and to serve as the continuing memory of the Government of Canada and its institutions. One major initiative in the LAC modernization project is to prepare a new acquisition management framework based on the three pillars of documentary heritage: acquisition, preservation, and resource discovery. This framework will rely on the four guiding principles for determining the value of acquisitions: significance, sufficiency, sustainability and society.

Essentially, making acquisitions means locating the most significant documents in an overabundance of information. The LAC branches, divisions and sections involved in the collection acquisition process are as follows:

LAC Business Lines Linked with the Collection Acquisition Process			
Documentary Heritage Collection Sector			Programs and Services Sector
Government Records Branch	**Canadian Archives and Special Collections Branch**	**Published Heritage Branch**	**Portrait Gallery of Canada**
Economic, Social and Federal Libraries Division	**Political and Social Heritage Division** Economic and Governance Archives	**Digital Office** Legal Deposit - Digital Unit	Acquisitions and Research
Legacy Records Management			
Democracy, Economic, Science, Society and Culture Section	Political Archives Social Archives Jean Chrétien Archives Project	**Resource Description** Monograph Cataloguing Section	
Infrastructure, Aboriginal and Natural Resources Division	**Cultural Heritage Division** Literary Arts	Government Publications and Serials Cataloguing Section	
Digital Office Government, Aboriginal, North, Natural Resources and Transport Section	Film/Broadcasting Music Section	**Acquisitions Division** Acquisitions Section Legal Deposit Section	
Government Operations Division	**Visual Heritage Division** Art and Photography Cartography, Architecture and Geomatics	**Database and Product Management**	
Security, Military, International and Justice	Philatelic Collections		
Regional Service Centres	**Intellectual Control Services**	**Theses Canada**	

Through the modernization project, the collection development process is currently undergoing an extensive review in order to improve decision making for purchases and the justification of acquisitions. The following initiatives were underway in 2009:

- development of an acquisition strategy by the Collection Development Committee (CDC) based on a collection development modernization framework that covers the following: sufficiency, significance, sustainability, intervention, and governance;

- justification of periodical subscription renewals;

- development of a communications plan;

- implementation of a priority acquisitions process requiring Management Board authorization.

The documents in the Canadian collection essentially come from three sources. Publishers have a legal obligation to provide copies of all works published in Canada to LAC (legal deposit). The Government of Canada's departments and agencies transfer any of their documents that have operational or archival value. Numerous documents are

donated; LAC also purchases a number of documents and retrieves a large volume of them directly from the Internet.

ABOUT THE REVIEW

OBJECTIVE

The purpose of the review was to determine whether the governance structure, risk management and controls in place for various LAC collection acquisition processes were effective and consistent with the organization's strategic directions.

SCOPE

All of the processes linked to discretionary acquisitions, including private donations and purchases, were considered in this review. The review covered acquisitions made by the Canadian Archives and Special Collections Branch (CASCB), Published Heritage Branch (PHB) and Portrait Gallery of Canada Program (PGCP). Acquisitions made through legal deposits and from the Government Records Branch have been excluded from this mandate.

On-site work was conducted from August to November 2009 covering the period from 2006–07 to 2008–09.

METHODOLOGY

For the purpose of this study, we reviewed the strategic documents for LAC overall and those prepared by the CASCB, PHB, and PGCP. We analyzed these documents using the criteria selected for this review (see Annex C). Nine purchases were selected, from acquisitions made between 2003 and 2008, for the following types of documents under CASCB responsibility: rare books (3), music (3) and cartography (3). Three purchases were selected for the PHB and three purchases for the PGCP. Given that these total 15 purchases are not a representative sample; the results of the review of these purchases cannot be extrapolated to all acquisitions made for the CASCB, the PHB and the PGCP. However these results do identify the controls in place and the inherent risks.

The review of management practices is designed primarily to inform and improve management. The review findings can be used to identify particular strengths and areas in need of improvement, but they cannot be reliably extrapolated with the high level of certainty provided by an audit. Consequently, the review did not cover the effectiveness of internal control systems.

FINDINGS AND RECOMMENDATIONS

INTRODUCTION

In March 2005, the Management Board at LAC approved a Collection Development Framework that set out a new policy direction for the new institution's collection. The policy included a framework for collection development activities based on LAC's strategic directions and priorities. The framework provides an overview of the fundamental principles that guide collection development activities and the major directions for 2005 to 2010. It contains recommended measures in five strategic areas.

More specifically, the framework emphasizes the general priorities associated with the notion that LAC has one integrated collection only and to the development of an acquisition strategy that relies on collaboration with partners and other institutions in Canada. The general priorities for the collection and preservation of digital records are also provided.

1. Acquisition management framework

The LAC collection development management framework comprises three documents: the Collection Development Framework (CDF) for 2005 to 2010, *Directions for Change* published in June 2006, and *Strategic Choices for Realizing the LAC Vision 2006–2011.*

This framework provides clear and specific guidelines for collection development. They ensure appropriate oversight of the branches responsible for developing acquisition strategies based on LAC's key directions and priorities. Moreover, the CDF incorporates the collection development directions provided in *Directions for Change* and *Strategic Choices for Realizing the LAC Vision*. Ten activities are required to support the six key directions.

However, some directions listed in *Directions for Change* are based on a dated vision that could encourage maintenance of the status quo concerning the acquisition of analogue materials and the traditionally strong areas of the collection. Consequently, these directions could convey an ambiguous message to the managers responsible for collection development and be considered inconsistent with those associated with the new LAC vision for acquisitions, particularly in terms of collection representativeness, digital documentary heritage and materials on Aboriginal or multicultural communities.

The collection development management framework does not address LAC acquisition limitations; in other words, LAC cannot acquire everything, given the continuous expansion of documentary media to be preserved, its human and financial resource limitations, and storage space considerations.

Having acknowledged these constraints, and to carry out its modernization project, LAC began preparing a new acquisition management framework based on three pillars of documentary heritage: acquisition, preservation and resource discovery. This framework will be built around four guiding principles for determining the value of acquisitions: significance, sufficiency, sustainability and society. In addition, roles have been defined to ensure that the strategies are implemented. Annual plans and management tools must take this new management framework into consideration.

> **Recommendation 1**
>
> LAC should clarify its approach in its Collection Development Framework based on its acquisition capacity limitations.
>
> **Management response**
>
> Further to consultations with partners, stakeholders and employees, LAC launched a number of targeted Modernization Innovation Initiatives that address the collection acquisition process.
>
> As part of the second Modernization Innovation Initiative, LAC will clarify the key acquisition concepts and develop a framework for evaluation and acquisition.

2. Multi-year strategic directions and strategic plans

2.1 Canadian Archives and Special Collections Branch (CASCB)

In April 2007, the CASCB published its *Acquisition Orientation 2006–2010.* The document reflects the status of collection development areas and provides a detailed description of the types of materials that can potentially be acquired. In some cases, gaps in the collection are identified or limits are established for specific acquisition areas, given that LAC's collection is already comprehensive.

The document does not take into account the key directions and guidelines set out in the collection development management framework and does not contain formal strategies to carry out the CDF, particularly key directions on collection representativeness, acquisition partnerships and digital, Aboriginal and multicultural materials.

Multiyear acquisition strategies have not been developed based on the key directions defined in the CDF, and consequently, they do not contain any strategies, commitments or timelines for implementing the CDF's key directions.

The CASCB produced its branch priorities for 2008–09 and 2009–10 aligned with LAC's Program Activity Architecture. The document identifies the priority collection development activities to be carried out. The collection development priorities for 2009–10 call for updated acquisition program strategies and target specific gaps and overlaps for July 2009. This activity was also part of the 2008–09 priorities established by the CASCB.

Any review of the strategic framework must include the following, given their strategic significance in collection development:

- ✓ strengths and weaknesses in the collection under CASCB responsibility in order to establish strategies, objectives and priorities to fill gaps in the collection, taking into account the key directions set out in the CDF;

- ✓ LAC's limitations in terms of financial and human resources earmarked for acquisitions and storage in order to better establish acquisition priorities;

- ✓ financial and non-financial information about the use of resources allocated to collection acquisitions;

- ✓ accountability in terms of acquisitions and performance measurement linked to achieving expected results based on key directions;

- ✓ management of the risks associated with acquisitions and identification of the corresponding mitigation measures.

2.2 Published Heritage Branch (PHB)

The PHB issued two strategic documents: *Acquisition Orientation for the Published Heritage Branch 2008–10* and *Strategic Plan for 2008–09 to 2010–11* which serves as an operational plan.

These two strategic documents take into account the CDF's key directions concerning digital records and contain appropriate strategies in this area. However, neither document contains a strategy, objectives or measures to ensure the implementation of key directions on collection representativeness and Aboriginal and multicultural materials.

The *Acquisition Orientation* sets out the strengths and weaknesses of the collection under its responsibility and specifically addresses PHB's acquisition limitations. A partnership strategy is proposed, but the objectives and measures presented to carry out the strategy do not enable the implementation of the key directions for the national collection and acquisition partnerships.

The *Strategic Plan* contains items such as acquisition monitoring, accountability and performance measurement. Moreover, this plan is consistent with PHB's *Acquisition Orientation* and clearly sets out the issues and priority areas for the acquisition of digital records.

2.3 Portrait Gallery of Canada Program (PGCP)

We have not received any strategic direction documents or strategic plans for the acquisition of portraits since the CDF came into effect in 2005. The absence of strategic documents places the implementation of LAC's key directions, as defined in the CDF, at risk.

Except for the PGCP, the branches responsible for collection development have established a collection development framework, but they do not always specify the strategic directions in their annual work plans or develop management tools to ensure the coordination, oversight and representativeness of acquisitions.

Recommendation 2

LAC should develop operating plans that set out objectives, strategies and measures to ensure the implementation of its key directions.

Management response

As part of LAC's integrated planning process, the Acquisitions Sector will prepare detailed operating plans that include a risk management component.

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3. Acquisition policies and procedures

3.1 Policies

LAC does not have an acquisition policy that provides a policy statement and guidelines on analogue and digital record acquisition. Such a policy would help specify the requirements and terms of use for:

- ✓ the acquisition of materials on Aboriginal and multicultural communities in a manner consistent with the key directions established in the CDF;
- ✓ accountability and gauging the results achieved based on the development of the collection;
- ✓ oversight in major acquisitions;
- ✓ incorporating risk management into the acquisition process.

However, the PGCP has implemented a policy on acquisitions and commissioned work that governs the portrait acquisition decision-making process. This policy provides an appropriate definition of the PGCP's mandate and contains a portrait acquisition policy statement and detailed guiding principles.

In addition, LAC has a policy on digital collection development. This policy is detailed and exhaustive, and contains a strategic framework, acquisition policy statement, guidelines on the selection and acquisition of websites, and implementation roles and responsibilities.

Recommendation 3.1

LAC should develop a policy on acquiring documents based on strategic directions, the accountability mechanism, the integration of risk management, and the roles and responsibilities in the acquisition process.

Management response

As part of the second Modernization Innovation Initiative, LAC will develop an evaluation and acquisition management framework aligned with strategic acquisition directions. The management framework on governance in the second initiative will address risk management and the accountability mechanism.

3.2 Procedures

LAC has developed detailed internal procedures that address the various steps involved in acquisition management, particularly appraisal, selection and acquisition. The CASCB uses a procedure that identifies clear and specific selection criteria for acquisitions. The PHB and PGCP have also established their own guidelines containing detailed selection criteria for acquisitions in their specific business lines. Moreover, the mandates of the Collection Development Committee (CDC) and the Major Acquisitions Committee (MAC) are clearly defined, based on duly documented terms of reference. However, these procedures and criteria are not consistent with the key directions in the CDF.

Recommendation 3.2

LAC should develop acquisition procedures that define the various steps of the acquisition process and clarify the selection criteria for informed decision making.

Management response

As part of the second Modernization Innovation Initiative, LAC will develop an evaluation and acquisition framework that contains acquisition procedures.

3.3 Partnerships

With the exception of one internal procedure, no policy or procedure concerning partnerships has been established, despite the importance given to this matter in the collection development management framework and the firm commitment set out in the CDF.

Given the absence of a policy, LAC cannot set out guidelines and requirements concerning such matters as forging acquisition partnerships (or limiting partnerships to promote access to LAC collections exclusively) for example, or the development of acquisition partnerships limited to digital records, owing to the potential partners' limited analogue record preservation capacity.

A policy on partnerships (Partnering Policy Suite) is being developed. This preliminary version dated October 2009, does not contain any guidelines or requirements for acquisition partnerships.

Given the absence of internal policies and procedures, the branches responsible for collection development cannot ensure the appropriate coordination and oversight of acquisition processes or minimize the risk of arbitrary acquisitions.

Recommendation 3.3

LAC should develop guidelines on forging partnerships.

Management response

As part of the first Modernization Innovation Initiative, LAC will implement a strategy on involvement with partners. Moreover, as part of the second Modernization Innovation Initiative, LAC will build a network with stakeholders and a pan-Canadian governance model for documentary heritage.

4. Performance and accountability measures

4.1 Performance measures

A Results-based Management and Accountability Framework (RMAF) is currently being developed and shows that collection development is subject to performance monitoring.

CASCB. As part of this exercise, the CASCB developed its own performance measurements which include 12 indicators based on the number of transactions, type of acquisition (including digital records and Aboriginal or multicultural materials consistent with the key directions) and shared measures (such as the number of linear metres and the number of megabytes). This information is provided in the CASCB's *RMAF Indicators.*

Performance indicators and targets have been established and documented in the Performance Measurement Framework for 2009–10 based on the key directions and are consistent with LAC's Program Activity Architecture. These indicators focus mainly on gauging operational activities rather than targeted results.

LAC developed a 2009–10 Performance Measurement Framework which sets out annual targets for the CASCB. These targets are: 5% of the number of documents acquired for digital material and 4% for the acquisition of documents on the Aboriginal and multicultural communities.

However, this type of performance measurement is not specific enough to gauge the achievement of key directions. For example, for the strategic direction on digital records, the targets established based on the number of acquisitions assign equal weight to documents already available on digital media, acquired in the normal course of LAC activity (mainly through legal deposit) and analogue records converted to digital media to give users better access. This category, which represents a genuine added value in achieving the key direction on digital records, is not subject to any specific measurement.

The performance indicators are measured annually only, and have not yet been incorporated into the CASCB's activity reports.

PHB. In January 2008, the PHB developed its own performance measurement framework for the development of the publications collection. It is consistent with LAC's PAA and the performance measurement framework developed for the organization overall. This framework provides the definition of performance indicators and sets out the collection methodology and source of data for each indicator, whereas the LAC's measurement framework identifies the acquisition targets specific to each performance indicator.

For 2009–10, the annual acquisition targets were set at 15% for digital content publications, 1.5% for publications containing Aboriginal content, and 2.5% for publications containing multicultural content. Monitoring is crucial to ensure that these targets are sufficient for implementing the key directions in the CDF.

PGCP. The PGCP has not developed a performance measurement framework tailored to its activities, containing performance indicators and targets consistent with the key directions in the CDF and LAC's Program Activity Architecture. The participation rate and PGCP client satisfaction rate are the only measurements established.

Recommendation 4.1

LAC should develop performance indicators for all acquisition processes that take into account the expected results and budgetary targets.

Management response

As part of the second Modernization Innovation Initiative, LAC will develop a framework for evaluation and acquisition that contains performance indicators for the acquisition process.

4.2 Accountability

In terms of accountability, the CASCB reports on its activities on a quarterly basis, yet does not take into account the key directions in the CDF or its own performance indicators. The PHB produces quarterly reports on activity-driven quantitative results based on the objectives of the CDF's key directions and the performance indicators set out in its own performance measurement framework. As for the PGCP, an activity report covering the three most recent financial years (2006–07 to 2008–09) was recently published.

The accountability reporting provided by the three branches responsible for collection development does not address results achieved based on the strategic objectives and key directions set out in the CDF. Moreover, the activity reports submitted do not contain financial results to gauge progress made in achieving budgetary targets, and the results are not presented using a standard template.

In terms of the key directions on collection and national collection representativeness, the branches responsible for acquisitions did not report any monitoring of progress achieved.

All of the mechanisms and tools intended to ensure appropriate and complete accountability for the acquisitions made are not in place. They need to be completed for all of the acquisition processes in order to allow management to make informed decisions on the directions and actions needed to achieve LAC's targeted results.

Recommendation 4.2

LAC should develop data-collection and accountability tools and mechanisms based on a shared model in order to gauge progress toward achieving budgetary targets, and prepare activity reports that contain financial results.

Management response

As part of the second Modernization Innovation Initiative, LAC will develop an acquisitions governance model that contains standardized tools to gauge progress.

5. Roles and responsibilities of committees

5.1 Mandate of the Collection Development Committee (CDC) and the Major Acquisitions Committee (MAC)

The mandate of the CDC and MAC and the sharing of roles and responsibilities between them have been clearly defined: the CDC is responsible for the strategic development of the collection and participates in its implementation, whereas the MAC is responsible for making acquisition-related decisions and budget control.

The MAC's mandate contains a clear and detailed description of how the roles and responsibilities are shared among curators, archivists, specialists and committee members. However, it does not set out the decision-making criteria the committee uses to support its decisions. Consequently, it is not possible to determine whether the MAC's decisions take into account the key directions set out in the CDF.

The CDC's mandate does not contain a description of how roles and responsibilities are shared among the managers and professionals involved and the committee members.

A review of the CDC's minutes shows that this committee discusses issues relating to LAC's collection development strategies, including the modernization process and partnerships, both inside and outside of LAC. The minutes consulted mention strategies to be implemented or activities being developed to improve collection representativeness. A review of the MAC's minutes showed that this committee formally approves major acquisitions as set out in its mandate, yet it does not provide justification or selection criteria used in decision making.

Recommendation 5.1

LAC should ensure that the mandates for the CDC and MAC specify:
- the sharing of roles and responsibilities by the managers and professionals involved and the CDC members;
- the decision-making criteria the MAC must use to justify its decisions;
- that decisions made by both committees must be well documented.

Management response

As part of the second Modernization Innovation Initiative, LAC will develop a governance model that clarifies the roles and responsibilities of participants in the process, decision-making criteria, and the approach for documenting and communicating decisions.

5.2 Risk management

Risk is defined as the uncertainty surrounding future events and outcomes. It is the expression of the probability and impact of an event likely to influence the organization's ability to achieve its objectives.

In its *Business Plan 2008–11*, LAC developed an initial risk profile and listed the broad risk factors and uncertainties that could have an impact on planning and the operating environment. One major risk associated with achieving LAC's mandate and commitments

is the lack of appropriate financial, human and technological resources, in the absence of reliable partnerships, to assure the preservation of digital and analogue documentary heritage.

The departmental risk profile informs managers and employees about risk and tolerance thresholds so that they understand the boundaries within which they are to manage risk.

Middle managers (and specialists) are responsible for:

- integrating risk management into their decision-making;
- ensuring ongoing operational and corporate action, planning, training, control, monitoring, and documentation of risk management;
- ensuring that policy and related advice, guidance, and assistance are in line with central agency and departmental policies on risk management and with senior management's objectives;
- identifying and assessing risk and the effectiveness, efficiency, and economy of existing measures to manage risk;
- designing and implementing tools for more effective risk management.[1]

We expected to find that the branches and divisions responsible for collection development had frameworks in place to establish clear boundaries in terms of risk tolerance and mitigation measures for their acquisition areas, in order to ensure sound collection management based on LAC's acquisition priorities and strategies.

No risk management framework for acquisitions, accompanied by mitigation measures was brought to our attention, even though *Directions for Change* relies on a risk management framework to ensure effective stewardship of heritage at all phases of the information's life cycle. Risk management is not addressed in the strategic directions developed by the CASCB or in the strategic plans established by the sections under the CASCB. No risk management framework for acquisitions made by the PHB and PGCP was brought to our attention.

Consequently, no risk mitigation measures were formally identified for acquisitions and collection development. The absence of identified risks inherent to acquisitions prevents risk-based acquisition budget planning and compromises sound collection management based on acquisition priorities and strategies as defined in the management framework.

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[1] Sources: *Integrated Risk Management Framework*, Treasury Board Secretariat, April 2001, and the *2003 April Report of the Auditor General of Canada*, Chapter 1.

6. Acquisitions management controls

6.1 Major acquisitions

Major acquisitions are reviewed and approved by the MAC, as set out in the mandate. However, the decision-making process and control mechanisms for major acquisitions (including the formal description of decision-making criteria used by the MAC to justify its decisions) are not documented in an acquisition policy.

Moreover, we noted that in 2008–09, the MAC had approved only 3 of the 68 documents purchased by the CASCB, even though the value of these three documents represented 61% of the total value of CASCB purchases. A similar situation occurred the previous year where the MAC approved only 7 of 129 purchases made by the CASCB, which accounted for 44% of the total value.

Consequently, we cannot determine whether the major acquisition process formally takes into account the key directions set out in the CDF, given the following:

- The minutes of the MAC meetings held between May 28 and November 27, 2008, do not indicate the selection criteria the committee used to approve the major acquisitions submitted to it, even though an Acquisition Proposal (AP) signed by the archivist involved and his or her manager was included for each submission and it contains a section for justifying the acquisition based on evaluation criteria.

- A review of the seven APs requiring MAC approval showed that these documents do not take into consideration an evaluation of all selection criteria that are relevant to making decisions, as set out in *Collection Development – Procedures: Evaluation Criteria for Archival Documents.* In some cases, minimal information was provided in the acquisition proposals for committee decision making and approval, in accordance with LAC's mission, mandate and directions.

6.2 Related costs

Costs were distributed by activity in an accounting exercise conducted in 2005–06, but this exercise has not been updated since that time. However, it covered only LAC's labour costs, without including operating costs that would have helped establish the total cost of ownership by type of collection.

This situation is not consistent with *Directions for Change* which promotes the use of tools like the total cost of ownership methodology to ensure effective heritage stewardship and manage risks.

The CASCB has not developed a methodology that takes related costs into account in the decision-making process for acquisitions. Consequently, the managers responsible for collection development do not report any financial information concerning the related costs of acquisitions.

This situation exists despite the fact that a large volume of acquisitions comes from donations to LAC, even though related costs are one of the evaluation criteria set out in *Collection Development – Procedures: Evaluation Criteria for Archival Documents*. These related costs involve activities such as planning, negotiations, retrieval, restoration, presentation, protection, preservation and evaluation of archive documents acquired by LAC.

The PHB and PGCP do not report any financial information on related costs in the acquisition of published documents and portraits.

6.3 Acquisitions

Nine purchases were selected, from acquisitions made between 2003 and 2008, for the following types of documents under CASCB responsibility: rare books (3), music (3) and cartography (3). Three purchases were selected for the PHB and three purchases for the PGCP. Given that these total 15 purchases are not a representative sample; the results of the review of these purchases cannot be extrapolated to all acquisitions made for the CASCB, the PHB and the PGCP. However these results do identify the controls in place and the inherent risks.

a) CASCB acquisitions for the Rare Books, Music and Cartography Sections

The nine purchases examined are supported by records maintained by those responsible for initiating the acquisitions. We compared the information that justifies the selection of acquisitions with the decision-making selection criteria as set out in *Collection Development – Procedures: Evaluation Criteria for Archival Documents.*

The cost evaluation in five of seven purchases was documented internally or externally to ensure that the price paid by LAC reflected fair market value. Two purchases did not contain any written justification for the price paid.

With the exception of one purchase, the acquisitions reviewed do not relate to the key directions set out in the CDF. The archival acquisitions reviewed are supported appropriately by standard contracts containing clauses on access and copyright, reproduction and exhibition. All of the purchases reviewed contain an appropriate catalogue reference in AMICUS or MIKAN.

b) PHB acquisitions

In all three purchases reviewed, acquisitions made by the PHB's acquisition section are documented and recorded in the AMICUS catalogue. However, the selection criteria that justify the purchase of publications are not documented.

Two of the three purchases are not related to the key directions set out in the CDF.

c) PGCP acquisitions

All three of the purchases reviewed are supported by records maintained by those responsible for initiating them. These records contain little information to justify the selection of acquisitions based on an evaluation of the decision-making selection criteria set out in the PGCP's policy on acquisitions and commissioned work.

The cost evaluation for two of the three purchases was documented externally to ensure that the price paid for these two acquisitions was consistent with fair market value.

The three purchases reviewed are not linked to the key directions set out in the CDF. Where required, the PGCP's acquisitions are supported appropriately by a standard contract that contains clauses on access and copyright, reproduction and exhibition. All three purchases were catalogued in MIKAN.

As noted in Section 3, LAC does not have an acquisition policy that contains a policy statement and guidelines on analogue and digital document acquisition. Moreover, guidelines on the decision-making process, control mechanisms as part of active oversight, selection criteria and related-costs methodology could also be included. Active oversight would enable LAC management to detect and report risks or control deficiencies as soon as possible, and take corrective and preventive measures promptly and effectively when issues with major repercussions are raised.

Recommendation 6

LAC should develop guidelines on:
- control mechanisms to ensure appropriate oversight of the acquisition process;
- active and ongoing monitoring methods for management's use in the acquisition process;
- use of the total cost of ownership methodology;
- the need to carefully document the assessment of selection criteria relevant to decision making in all records.

Management response

As part of the second Modernization Innovation Initiative, LAC will develop an acquisition governance model that contains specific components on control mechanisms, oversight methods, and documentation procedures.

CONCLUSION

LAC has developed a Collection Development Framework. This framework provides clear and specific guidelines for the branches responsible for developing acquisition strategies based on LAC's key directions and priorities. Some directions in the framework need to be clarified, particularly with regard to collection representativeness, digital documentary heritage and documents on Aboriginal and multicultural communities.

Roles and responsibilities for establishing directions and strategic plans for acquisitions, performance measurement, results reporting by objective and risk management have yet to be defined.

Improvements are needed in terms of the strategic and operating plans to bring them in line with LAC's strategic directions. Moreover, data-collection tools and mechanisms are needed for reporting on these directions and preparing activity reports that contain financial results.

Decisions need to be documented and include justification for acquisitions based on directions and selection criteria. LAC needs to implement control mechanisms to ensure appropriate decision-making with regard to acquisitions.

LAC needs an acquisition policy that contains a policy statement and guidelines for the acquisition of analogue and digital records. In addition, guidelines on the decision-making process, control mechanisms for active oversight, selection criteria and a related-cost methodology should be included.

Given the significant observations made in this report, we cannot conclude that the governance structure, risk management and controls in place for the various acquisition processes in LAC's collection were effective during the period under review, 2006–07 to 2008–09, and consistent with the organization's strategic directions.

ANNEX A - ACTION PLAN

Internal Audit – Review of LAC Acquisition Processes

Recommendation	Action	Person responsible	Timeline
1 – Acquisition Management Framework			
LAC should clarify its approach in its Collection Development Framework based on its acquisition capacity limitations.	Development of an evaluation and acquisition management framework	ADM, Acquisitions Sector	April 2012
2 – Multiyear Strategic Directions and Strategic Plans			
LAC should develop operating plans that set out objectives, strategies and measures to ensure the implementation of its key directions.	Development of an acquisition governance model	ADM, Acquisitions Sector	September 2012
3 – Acquisition Policies and Procedures			
3.1- LAC should develop a policy on acquiring documents based on strategic directions, the accountability mechanism, the integration of risk management, and the roles and responsibilities in the acquisition process.	Development of an evaluation and acquisition management framework	ADM, Acquisitions Sector	April 2012

3.2 - LAC should develop acquisition procedures that define the various steps of the acquisition process and clarify the selection criteria for informed decision making.	Development of an acquisition governance model	ADM, Acquisitions Sector	September 2012
3.3 - LAC should develop guidelines on forging partnerships.	Development of a network with stakeholders and pan-Canadian governance model	ADM, Acquisitions Sector	2012
4 – Performance Measurement and Accountability			
4.1 - LAC should develop performance indicators for all acquisition processes that take into account the expected results and budgetary targets.	Development of an acquisition governance model	ADM, Acquisitions Sector	September 2012
4.2 - LAC should develop data-collection and accountability tools and mechanisms based on a shared model in order to gauge progress toward achieving budgetary targets, and prepare activity reports that contain financial results.	Development of an acquisition governance model	ADM, Acquisitions Sector	September 2012
5 – Committees' Roles and Responsibilities			
5.1 - LAC should ensure that the mandates for the CDC and MAC specify: • the sharing of roles and responsibilities by the managers and professionals involved and the CDC members;	Development of an acquisition governance model	ADM, Acquisitions Sector	September 2012

• the decision-making criteria the MAC must use to justify its decisions; • that decisions made by both committees must be well documented.			
5.2 - LAC should develop a risk management framework tailored to the acquisition process and to collection development, including mitigation measures.	Development of an evaluation and acquisition management framework	ADM, Acquisitions Sector	April 2012
6 – Acquisition Management Controls			
LAC should develop guidelines on: • control mechanisms to ensure appropriate oversight of the acquisition process; • active and ongoing monitoring methods for management's use in the acquisition process; • use of the total cost of ownership methodology; • the need to carefully document the assessment of selection criteria relevant to decision-making in all records.	Development of an acquisition governance model	ADM, Acquisitions Sector	September 2012

ANNEX B - ABBREVIATIONS

ADM   Assistant Deputy Minister

AP   Acquisition Proposal

CASCB   Canadian Archives and Special Collections Branch

CDC   Collection Development Committee

CDF   Collection Development Framework

LAC   Library and Archives Canada

MAC   Major Acquisitions Committee

PGCP   Portrait Gallery of Canada Program

PHB   Published Heritage Branch

RMAF   Results-based Management and Accountability Framework

ANNEX C: REVIEW CRITERIA

1. GOVERNANCE

1.1 The branches responsible for collection development have a collection development management framework, strategic directions, annual work plans and management tools that ensure the coordination, oversight and representativeness of acquisitions.

1.2 The branches responsible for collection development have internal policies and procedures that ensure the appropriate coordination and oversight of acquisition processes and minimize the risk of arbitrary acquisitions.

1.3 Mechanisms are in place to ensure appropriate accountability for acquisitions made and to enable informed decision making in terms of directions and activities for achieving LAC's expected results.

1.4 The divisions responsible for areas of interest that comprise LAC's collection have established acquisition criteria that ensure appropriate and consistent oversight of acquisitions in line with LAC's priorities and that minimize the risk of arbitrary acquisitions.

1.5 The decision-making process in the collection's strategic development and approval of major acquisitions is supported by formal committees that have specific mandates and clearly defined responsibilities, supported by appropriate results reporting.

1.6 The roles and responsibilities of managers and other stakeholders in the collection development process are clearly defined, communicated and understood.

2. RISK MANAGEMENT

2.1 The branches and divisions responsible for collection development have established frameworks to help determine the risks and mitigation measures associated with their acquisition sections to ensure sound collection management based on LAC's acquisition priorities and strategies.

2.2 Acquisition resource planning and allocation is carried out based on the risk assessment.

3. ACQUISITION MANAGEMENT CONTROLS

3.1 Control mechanisms are in place to ensure that acquisitions are made in a manner consistent with the directions, plans and processes established by the collection branches and minimize the risk of overlaps and arbitrary acquisitions.

3.2 Acquisitions are formally evaluated before they are made. They are covered by a contract that includes standard, complete clauses. They include formal documentation and are captured in the appropriate databases and catalogues in order to minimize the risk of overlaps and arbitrary acquisitions, ensure representativeness, and provide appropriate acquisition management and monitoring in accordance with acquisition priorities.