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Report of the Auditor General of Canada

CHAPTER 2

Procuring Relocation Services



Office of the Auditor General of Canada

OAG

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CHAPTER 2

Procuring Relocation Services

Performance audit reports

This report presents the results of a performance audit conducted by the Office of the Auditor General of Canada under the authority of the *Auditor General Act*.

A performance audit is an independent, objective, and systematic assessment of how well government is managing its activities, responsibilities, and resources. Audit topics are selected based on their significance. While the Office may comment on policy implementation in a performance audit, it does not comment on the merits of a policy.

Performance audits are planned, performed, and reported in accordance with professional auditing standards and Office policies. They are conducted by qualified auditors who

- establish audit objectives and criteria for the assessment of performance,
- gather the evidence necessary to assess performance against the criteria,
- report both positive and negative findings,
- conclude against the established audit objectives, and
- make recommendations for improvement when there are significant differences between criteria and assessed performance.

Performance audits contribute to a public service that is ethical and effective and a government that is accountable to Parliament and Canadians.

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Introduction

2.1 It is the policy of the federal government that employees be relocated in the most efficient fashion, at the most reasonable cost to the public, while having a minimum detrimental effect on the employees and on departmental operations. To meet these goals, the Integrated Relocation Program (IRP) began as a pilot program in April 1999 and became a permanent program in June 2002 for the Canadian Armed Forces (CAF), the Royal Canadian Mounted Police (RCMP), and the federal public service.

2.2 The government spends approximately \$300 million on relocation services; these are costs reimbursed to public service employees, as well as to RCMP and CAF members, for items such as inspection fees, appraisal fees, real estate commissions, and rental agency finding fees. Relocation services include

- relocation planning, such as identification of employees' relocation requirements and the benefits available to them, and estimates of the costs;
- marketing assistance, such as advice and assistance toward selling the employees' homes;
- destination services, including providing employees with information on topics such as housing markets, schools, and community activities and facilities at their new locales; and
- providing access to third-party service providers, such as realtors, lawyers, notaries, home inspectors, and appraisers.

2.3 In providing these services, the 2009 IRP contract provides for payment of an all-inclusive administration fee for each relocation file that the contractor processes. Given estimated file volumes, this amounted to an expenditure of about \$30 million per year over the five-year life of the contract. Moving services for household goods and effects are provided at an additional cost under separate contracts, and are not included in this estimate; they are also not part of the scope of this audit.

2.4 While the numbers fluctuate from year to year, relocation services are provided annually to about 14,500 CAF members, 2,000 RCMP members, and 1,200 employees of the federal public service and their families.

2.5 While most of the relocation benefits for the three organizations are similar, each organization has its own relocation policies and directives, with some unique benefits and rules designed to meet the

specific requirements of its members. Each organization also uses its own processes to verify expense claims. Different service models also apply, depending on the transferred person's employer. For example, CAF members are provided with face-to-face services at locations across the country, while employees of the RCMP and the federal public service receive services by telephone, fax, or e-mail.

Request for proposals (RFP)—A form of bid solicitation used when bidder selection is to be based on best value, rather than on price alone. An RFP invites suppliers to propose a solution to a stated problem, requirement, or objective; through a pre-established evaluation process, an adjudicating body selects the winning supplier on the basis of the effectiveness of the proposed solution.

2.6 Royal LePage Relocation Services had been the successful bidder in all previous IRP contracts. Our 2006 audit concluded that the 2004 contracts had not been tendered in a fair and equitable manner, because inaccurate information had been included in the **request for proposals (RFP)**. Furthermore, although Public Works and Government Services Canada (PWGSC) followed its established processes, the steps it took were not sufficient to ensure that all bidders in the tendering process had access to correct and complete information. Accordingly, the tendering process did not adhere to the government policy requirement for fair and transparent competitive tendering or to the guidance set out in the *PWGSC Supply Manual*. In May 2007, the House of Commons Standing Committee on Public Accounts accepted our overall conclusions, stating that the Committee was profoundly dissatisfied with the manner in which the contracts had been issued and the way in which the departments involved had responded to the subsequent problems. The Committee endorsed our recommendations and made nine recommendations of its own. The government accepted the recommendations and implemented an action plan for the 2009 procurement process.

2.7 In March 2003, a losing bidder challenged the awarding of the 2002 contracts before the Canadian International Trade Tribunal (CITT). PWGSC subsequently cancelled the 2002 contracts and awarded new contracts in November 2004. In May 2005, the awarding of the 2004 contracts was also challenged, and the CITT ruled that PWGSC had compared two components of a losing bidder's proposal inappropriately. In 2006, the ruling on the 2004 contract was upheld by the Federal Court of Appeal. Recently, the Superior Court of Ontario decided that the 2004 procurement process had been biased in favour of Royal LePage. This decision resulted in an award of \$40 million in damages, interest, and costs against the government to a competing bidder.

2.8 Work began on developing the 2009 contract in the fall of 2007, after the Standing Committee on Public Accounts recommended that the option periods to extend the 2004 contracts not be exercised. The Committee also recommended that the contracts be tendered through a fair, equitable, and competitive bidding process.

Request for information (RFI)—An optional part of a bid-solicitation process, where the procuring body requests information from potential suppliers before defining the problem, requirement, or objective that will be specified in the RFP. Suppliers who respond to the RFI often bid on the related RFP later in the process.

2.9 PWGSC issued the **request for information (RFI)** in August 2008 and the request for proposals in April 2009. Only one bid was received in response to the RFP—from the incumbent, renamed as Brookfield Global Relocation Services Limited (formerly Royal LePage Relocation Services), and was evaluated as compliant.

Roles and responsibilities

2.10 PWGSC, National Defence, the Treasury Board of Canada Secretariat and the RCMP are the four organizations that had major roles and responsibilities in the 2009 procurement process for relocation services.

2.11 As the contract authority for the 2009 IRP procurement, PWGSC was accountable for the integrity of the entire procurement process. PWGSC was responsible for ensuring that the Government Contracts Regulations were observed and that due process was followed in accordance with the Treasury Board Contracting Policy. It was also responsible for providing procurement-related advice, guidance, and support to IRP client organizations; the development of the procurement strategy; the basis and method of payment; the review and approval of solicitation and evaluation documents; the issuing of the RFP; the financial evaluation of bids; and the awarding of the contract.

2.12 As client organizations for the procurement of integrated relocation services, National Defence, RCMP, and the Secretariat were responsible for providing appropriate resources to define the statement of requirements; for developing and approving fair and appropriate evaluation criteria; for reviewing and incorporating industry feedback received in response to the RFI, where appropriate; and for conducting the technical evaluation. The Secretariat was also responsible for providing guidance and advice to federal departments on the application of the relocation directive and policies.

2.13 For this procurement process, these organizations formed an interdepartmental governance structure. A working group was established in the fall of 2007, with representatives from all four organizations, with a mandate to ensure that the process would be timely, open, fair, and transparent. An Assistant Deputy Minister (ADM) Steering Committee was formed in March 2008, and composed of the responsible ADMs from each organization. It was chaired by PWGSC. The committee's objectives included ensuring that timelines would be met and providing strategic direction. The committee identified the need for a Director General Management Board to ensure that departmental responsibilities such as approving the requirements

and the evaluation criteria, and providing direction to the working group were met.

Focus of the Audit

2.14 Our audit examined whether PWGSC, National Defence, the RCMP, and the Treasury Board of Canada Secretariat fulfilled their responsibilities in awarding the 2009 contract for the IRP in accordance with the Treasury Board Contracting Policy, Government Contracts Regulations, and the PWGSC *Supply Manual*. We examined whether the decisions and actions of the organizations facilitated access and encouraged competition.

2.15 This chapter examines the awarding of the 2009 IRP contract; a subsequent chapter will examine the management of selected requirements of the 2009 IRP contract.

2.16 The government is currently starting a new procurement process for the next IRP contract, which is planned to begin in December 2014. An option exists to extend the 2009 contract; such an extension would change the start date of the next contract. We did not audit the process for the next contract.

2.17 The audit covered the procurement process and decisions made between August 2006 and December 2009. More details about the audit objective, scope, approach, and criteria are in **About the Audit** at the end of this chapter.

Observations and Recommendation

2.18 We provide one recommendation to address our findings. It can be found at paragraph 2.61.

Procurement planning and design

A series of decisions did not facilitate access and encourage competition

2.19 We found that, for the most part, Public Works and Government Services Canada (PWGSC) followed established processes in the awarding of the 2009 contract for relocation services for the Integrated Relocation Program (IRP). However, we found that the decisions and actions by officials were reactive and were not sufficient to remove some barriers to competition. Taken cumulatively, these decisions and actions did not facilitate access and encourage competition, which resulted in limiting the response to one service provider. We found no evidence to suggest that this was done intentionally.

There was no procurement plan to guide the process

2.20 According to the Treasury Board Contracting Policy, the analysis necessary to determine how to achieve best value in any procurement process should begin in the planning phase. An appraisal of alternatives should take place and should continue throughout the procurement process.

2.21 The PWGSC *Supply Manual* contains policies and procedures for the development of the procurement strategy as an important step in the procurement process. This is where a decision is made whether to use a competitive process or to sole-source. A procurement plan then sets out how the selected procurement strategy will be carried out. According to the *Supply Manual*, the plan should be completed before any significant procurement actions are performed. Key elements required in the plan include the method of supply, evaluation procedures and method of selection, and identification of risk factors. We examined whether PWGSC had developed and approved an appropriate procurement plan and used it throughout the process.

2.22 We found that, for this procurement, PWGSC did not follow its usual process for establishing and documenting its procurement strategy in a formal procurement plan. PWGSC's procurement plan was approved on 21 May 2009, three weeks after the request for proposals (RFP) had been issued and all the key decisions required to support the RFP had been made.

2.23 We also found that, despite the lack of a formal plan, some planning elements occurred at the appropriate times. For example, PWGSC established timelines at the outset of the process, and hired a fairness monitor to attest to the fairness of the procurement process. Other planning elements either did not occur or took place in reaction to situations as they arose. For example, we found no evidence that an assessment of the contractual risks or a **risk management framework** had been completed. Furthermore, the Assistant Deputy Minister (ADM) Steering Committee was not put in place until six months after work began, in reaction to the inability of the interdepartmental working group to accomplish its tasks.

2.24 The procurement plan was written to reflect earlier decisions and actions, and could not have been used to guide the procurement process and proactively identify and manage risks. Therefore, PWGSC did not comply with its *Supply Manual* requirements to have a plan.

Risk management framework—A framework that builds risk management into existing business planning, decision making, and operational processes by considering potential risks and mitigation strategies to minimize risks and improve results.

Using a single contract did not facilitate access and encourage competition

2.25 In 2007, the interdepartmental working group started developing the requirements for the procurement of a single IRP contract. We examined whether the organizations' decisions and actions that led to the decision to procure the services through a single contract facilitated access and encouraged competition.

2.26 The request for information (RFI) was issued in August 2008. The RFI process included presentations from industry and generated 400 comments from four firms. Of these, 350 were from the incumbent. In the remaining comments, domestic industry representatives identified concerns with having only one contract for the provision of services, as one contract would not foster competition or growth of the market. In response to this feedback, the contract authority sought advice from PWGSC's Office of Small and Medium Enterprises (OSME) on barriers to small or medium-sized enterprises' ability to compete successfully in this procurement.

2.27 OSME advised breaking the solicitation into three separate contracts: one each for the Canadian Armed Forces, the Royal Canadian Mounted Police (RCMP), and the federal public service. According to OSME, the two latter contracts, with their smaller relocation volumes, would allow for less-stringent evaluation criteria and requirements, thereby providing small and medium-sized enterprises an opportunity to compete. The contract authority indicated to OSME that its advice was consistent with the feedback it had obtained from suppliers in response to the RFI.

2.28 In October 2008, in its role as contract authority, PWGSC analyzed the advantages and disadvantages of awarding one or many contracts for the IRP services. We found that this analysis and the resulting decision occurred in reaction to the feedback received from industry a year after the procurement process had already begun. Consistent with OSME's recommendation, this analysis led to a recommendation from the contract authority to award three separate contracts to three different suppliers—an option that PWGSC thought would promote competition, enhance the development of the Canadian relocation industry, and provide a resource of experienced service providers that could be relied on in the event of a corporate failure of one of the contractors.

2.29 In looking at the advantages and disadvantages of awarding one large contract, the analysis observed that, in order to promote more competition, it would be necessary for non-Canadian companies to participate in the process, because there were no other Canadian

firms that could compete. The analysis also mentioned that the extent of potential international participation in the competitive procurement process was unknown.

2.30 In November 2008, the Director General Management Board for the IRP procurement considered the recommendations and recommended to the ADM Steering Committee that the procurement lead to a single contract. The Committee approved this recommendation because it would lead to a better price, offer efficient processes, and provide for the consistent application of policy elements common to all departments, while being able to support the unique needs of National Defence and the RCMP. In arriving at this decision, the Committee did consider the disadvantages of awarding a single contract. These included reduced domestic competition, the risk that no service provider would be able to take on the contract in the event of contract default, and the likelihood of industry discontent.

2.31 The client organizations were aware that there was only one Canadian company that had the systems, regional representation, and infrastructure needed to meet the range and scope of services that one large contract for the IRP would require. Given the likelihood that there would be little domestic competition, officials were of the view that a single contract could attract some interest from international firms and elicit more than one bid. While officials took some steps to attract international bids, they were also aware that legislated security and privacy requirements could be particularly challenging to international firms, especially given the limited time to transition to a new contract.

2.32 Only one bid was received, and it was from the incumbent. No bids were received from international firms. After the contract award, PWGSC received feedback from one international firm, setting out why it had not submitted a bid. The firm stated that several factors had affected its decision not to participate, including legislated security requirements related to personnel and information technology, the requirement for onsite consultation services, and the short transition period.

2.33 While the client organizations' view had been that one large contract could attract international competitors, they knew that there was a real possibility that this would not happen. They were also aware that domestic competition would be limited if solicitation requirements were too demanding. We found that, while the decision to award a single contract was in compliance with procurement policy and guidelines, the decision did not facilitate domestic competition or attract international bids. In our opinion, this was an important decision that influenced the rest of the competition.

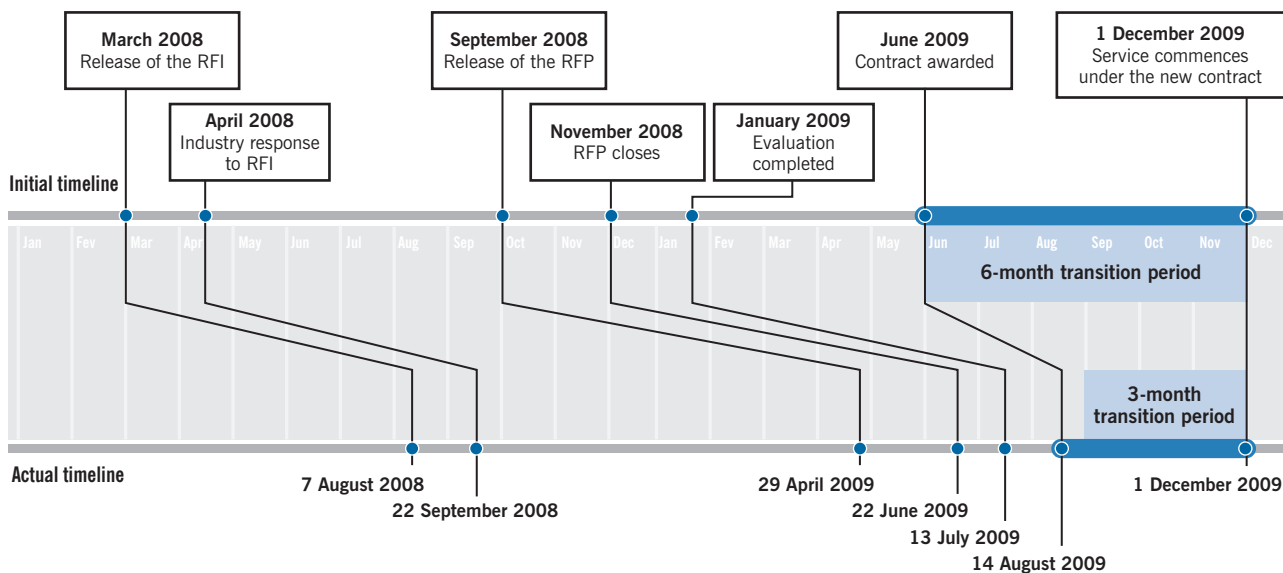
Missed milestones meant the RFP was issued late

2.34 A key factor to successful procurements is the ability of officials to meet critical milestones. Meeting the dates agreed to by both the client organizations and PWGSC ensures that sufficient time is allocated to the production and review of key documents before their approval and release, and that sufficient time remains after contract award for a smooth transition to the new contract. For the 2009 IRP procurement, we examined the planned key milestones and compared them with the actual completion dates.

2.35 PWGSC established key milestones in September 2007 to help manage this procurement process, and communicated them to the client organizations. These milestone dates were: release of the RFI in March 2008, release of the RFP in September 2008, and contract award by June 2009. A contract award in June would have provided the winning firm with six months to organize and develop its infrastructure, and to recruit and train the staff required to deliver relocation services, before beginning work on 1 December 2009.

2.36 We found that these key milestone dates were not met. As the procurement process unfolded, the organizations struggled to work together effectively to make decisions and produce the required documentation. As a result, the key milestone dates were missed and the RFP was issued in April 2009, seven months after its originally planned release date of September 2008 (Exhibit 2.1).

Exhibit 2.1 Key milestones were not met



Source: Adapted from Public Works and Government Services Canada documents.

The request for proposals did not reduce barriers to competition

2.37 Time required to establish operations. The organizations realized that, as a result of their delays, a new contractor would not have enough time to establish operations. Having proposed a six-month transition period in the RFI, the organizations reduced it to three months in the RFP. However, the transition period in the RFP still included many of the same deliverables and deadlines as had been included in the RFI. This meant that the winning bidder would have three fewer months to prepare (Exhibit 2.2).

2.38 In an effort to mitigate the shorter transition period, the RFP specified that there would be a three-month “ramp-up” period after the transition period. During this ramp-up period, the RFP allowed that the contractor might not have reached full capacity and might not be able to provide all relocation and associated services to be conducted under the contract. Therefore, the Crown reserved the right, during this period, to arrange for alternative relocation services by other means, such as in-house services or the use of third-party service providers, until satisfied that the contractor had reached and demonstrated full capacity.

Exhibit 2.2 Changes from the RFI to the RFP reduced the time available for contractors to establish operations

Examples of key deliverables	RFI—Number of days to provide deliverable	RFP—Number of days to provide deliverable	Number of fewer days to provide deliverable
Deliver implementation plan	30	10	20
Set up a central office within Canada	165	80	85
Set up all 24 work location sites, at both contractor and Canadian Armed Forces locations	165	80	85
Demonstrate, to the government’s satisfaction, Information Management Expenditure Tracking System functionality	60	60	Same number of days. However, the RFP had additional requirements not identified in RFI
Deliver General Relocation Information Packages (GRIPs)	165	60	105
Deliver relocation planning tools	155	60	95
Deliver relocation checklist (RCL)	165	60	105
Develop and maintain a third-party service provider directory	155	60	95

Source: Adapted from the 7 August 2008 Request for Information and the 29 April 2009 Request for Proposals. Some figures have been converted from months to a number of days based on a 30-day month.

2.39 We found no analysis to determine whether the change in the transition period would have an impact on bidders. Furthermore, the RFP did not clearly define what deliverables under the transition period could be postponed to the ramp-up period. In our opinion, the RFP provided non-incumbent bidders with an unreasonable timeline for them to put the infrastructure in place in order to deliver the required services.

2.40 Demonstration of prior relocation experience. Any firm wanting to bid was required to demonstrate that it had provided relocation services for a minimum of 500 moves annually for the preceding three years. This provision was aimed at allowing small and medium-sized companies to submit bids. However, the RFP also required bidders to demonstrate that they had the experience in delivering the services required by one contract, as opposed to demonstrating that they would be capable of performing these services in the future. This meant that, while small and medium enterprises could meet the mandatory requirement of providing relocation services for a minimum of 500 moves, they would be at a disadvantage compared to the incumbent, which had been delivering relocations on a large scale. For example, one of the rated criteria gave full points to a bidder that could demonstrate that it had provided relocation services for 17,500 moves per year. Another gave full points to bidders that had delivered services for clients with more than 100,000 employees. Given these criteria, small and medium enterprises would not have been able to demonstrate sufficient current experience to obtain the maximum number of points.

2.41 Estimated number of open files. The RFP stated that, if a new contractor were selected, it would assume full responsibility for all open files initiated by the incumbent under the previous contracts, at various stages of completion. This requirement had not been identified in the RFI. We examined client organizations' estimates of the number of files to be transferred.

2.42 The RFP stated, for information purposes, that the client organizations' estimate of the number of files they expected to be transferred to a new contract was more than 20,000. The contractor would be compensated a portion of the administration fee for all files transferred to the new contract. In response to a question asked at the RFP stage, officials indicated that the number of open files was based on annual file volumes. We found no evidence of substantive work being carried out at the time of the RFP to determine this estimate or if it was reasonable.

2.43 After the awarding of the 2009 contract, the organizations analyzed the files to ensure that they related to ongoing relocations. We were told that the incumbent and the organizations made an effort to close files after the contract award date and before the service effective date. In the end, the actual number of open files transferred for all client organizations was about 7,000.

2.44 In our opinion, the estimate of 20,000 files was a significant overestimate and was a barrier to competition. Having a reasonable estimate of open files to be transferred would have helped non-incumbent bidders submit a competitively priced bid. Each of these transferred files would have required further work by the contractor. Bidders would have had to decide how or whether to incorporate the cost of this work into the amount to be recovered through the administration fee.

The organizations certified business volumes

2.45 In May 2007, the Standing Committee on Public Accounts recommended that the government design a certification process to ensure the accuracy of data provided for inclusion in relocation RFPs and to ensure that such a process would be in place before the tendering of the 2009 contract. The subject of inaccurate business volumes in the previous IRP procurements was a significant factor in the Superior Court of Ontario judgment against the Crown.

2.46 We examined draft versions of the RFP, the final RFP, and supporting documentation to determine whether the RFP contained accurate historical business volumes. This is important, because historical business volumes were used in the 2009 RFP to calculate the bidder's total price.

2.47 The RFP issued by PWGSC contained historical business volumes, expressed as numbers of relocations, from 2003 until 2008. The incumbent contractor provided the data to client organizations, which then verified and certified the historical business volumes before their inclusion in the RFP.

2.48 We found that PWGSC sought and received individual verification and certification of historical relocation business volumes from the Treasury Board of Canada Secretariat, the RCMP, and National Defence. We asked the organizations how they had verified and certified the historical business volumes. We found that, while the RCMP had a clear and reasonable statement of its methodology, it did not complete some of its verification process. National Defence and the Secretariat

were unable to provide us with evidence of the steps they took to verify business volumes; we therefore cannot conclude how National Defence and the Secretariat ensured the accuracy of the data.

Evaluation and contract award

The evaluation team did not follow established processes

2.49 In a request for proposals, the evaluation of submitted bids is an important element of the procurement process. Evaluation criteria are the benchmarks against which vendors' bids are measured. To ensure that all bidders are treated equally, officials review and rate bids against published criteria, to determine whether a bid meets the requirements and to rate those bids for their overall scores. A team of representatives from the Canadian Armed Forces, the RCMP, and the Treasury Board of Canada Secretariat conducted the technical evaluation of the contract bids. Members of the evaluation team were responsible for independently reviewing all bids, to ensure that all of the mandatory technical requirements were met, and for scoring the point-rated criteria.

2.50 The team evaluated the incumbent's bid and considered it to have met all of the mandatory criteria. For rated criteria, the team gave the bid 1,298 out of 1,320 available points (98 percent). While we are not questioning this score, when we looked at the details of the evaluation process, we found areas of concern. We found that the rating criteria did not provide the bidders with the details that would allow them to determine whether their proposals would meet or exceed the requirements. Furthermore, the evaluation plan did not include guidance for the evaluators to differentiate between a score that meets requirements and one that exceeds them.

2.51 Moreover, in our assessment of the evaluation team's scoring sheets, we found that the evaluators did not follow the evaluation plan's requirement that they write down their comments or rationales justifying the scores they assigned for each criterion and for how they arrived at the final aggregate score. This need for complete documentation is also required by the Public Works and Government Services Canada (PWGSC) *Supply Manual*.

2.52 The lack of guidance and the lack of documented justifications are problematic because, without these, there is no adequate record of the evaluation process used for the 2009 procurement.

PWGSC did not follow through on its decision to determine whether the cost of the bid received was reasonable

2.53 The objective of government procurement is to acquire services in a manner that results in best value for the Crown. Under the requirements of the Treasury Board Contracting Policy, when only one bid is received in a competitive bid-solicitation process, the contract authority may decide to request that the bidder substantiate its price. The intended purpose is to demonstrate that fair value will be obtained. The contract authority may negotiate the price, to help ensure that the Crown pays a fair price for the services provided. In this case, the contract authority chose to carry out an analysis to determine whether the one bid represented fair value to Canada. We examined whether this analysis was sufficient.

2.54 At the beginning of July 2009, the PWGSC contract authority requested that its financial analyst perform an analysis of the financial bid, to determine whether the proposed cost, overhead, and profit were reasonable. Price justification could be required by the government if there was only one bid in response to the request for proposals. PWGSC notified the bidder that price justification information would be required and would be analyzed using PWGSC Contract Cost Principles. The analyst's work had to be completed quickly, as PWGSC wanted to seek contract approval from ministers by the end of July 2009.

2.55 The analysis determined that the bid proposal included \$700,000 in annual capital expenditures and financing costs. The financial analyst advised that these costs would not be admissible according to PWGSC Contract Cost Principles, and recommended that the administration fee per file be reduced accordingly. PWGSC officials told us that, in this case, this was not an appropriate application of the Contract Cost Principles, which are normally used when a contract is to be awarded on a sole source basis.

2.56 The financial analyst also indicated that, without reviewing additional documentation, no comments could be offered on the reasonableness of the cost per file for this proposal or its proposed rate of profit. We found that the contract authority decided that no further financial information was required. Reasons for this decision included that the financial bid was lower than the price of the previous contract and that the contract authority did not have the time to engage in negotiations. The contract authority also questioned the likelihood of success of any further negotiations.

2.57 PWGSC’s overall rationale for not following through on price justification was that the bid’s pricing was fair and reasonable and represented good value to Canada. This rationale was based on the fact that the price per file in the 2009 bid had decreased by about 18 percent from the 2004 contract price. However, we found no analysis to compare the reduction in price with changes in the levels of service. Among other service reductions, the bid specified that there would be fewer regional offices and that 24-hour call service would be removed. According to the work of the financial analyst, the government may be paying \$3.5 million too much over the life of the contract for financing and capital costs.

Overall effects of actions and decisions

The combined effects of actions and decisions did not facilitate access and encourage competition

2.58 The 2009 procurement process for the Integrated Relocation Program suffered from missed milestones, the lack of a risk management framework, and reactive decision making. We recognize that this procurement began seven years ago, before recent initiatives to improve procurement had been implemented.

2.59 Given the significance of the relocation program contract, the complexity of using three different departmental policies, and the risks evidenced by previous litigation, this procurement required considerable oversight and input from senior officials in the organizations involved. This oversight was not put in place until several months had passed and milestones had been missed. We found that, while rules were followed for the most part, the combined impact of actions and decisions did not facilitate access and encourage competition.

2.60 In our opinion, a project of this significance should have included elements such as: a project charter to identify roles, responsibilities, and accountability; a project budget; assignment of enough personnel to meet project requirements; regular monitoring of risks; and reports on progress.

2.61 Recommendation. For future Integrated Relocation Program procurements, Public Works and Government Services Canada, in collaboration with National Defence, the Royal Canadian Mounted Police, and the Treasury Board of Canada Secretariat, should manage the procurement process as a project of significant complexity and risk, and manage it with sufficient oversight and accountability.

The Department’s response. Agreed. In future Integrated Relocation Program procurements, Public Works and Government Services Canada, in consultation with client departments, will apply the principles of SMART Procurement, which are aligned with the core

procurement values of openness, fairness, transparency, and stewardship. The following activities for the new Integrated Relocation Program contract are planned or currently being implemented using the SMART Procurement principles:

- **Early Engagement:** Through the use of industry days and one-on-one briefings with industry, the government will bring clients and suppliers together at the beginning of the procurement process and throughout to promote dialogue and exchange ideas.
- **Effective Governance:** New Assistant Deputy Minister and Director General committees have been established to ensure that project decisions, risks, and issues are visible and have clear and defined mechanisms to address issues within an effective framework.
- **Independent Advice:** Third parties will be engaged as necessary to provide independent and objective advice during the procurement process.
- **Benefits for Canadians:** Consideration will be given to how the selected procurement strategy for the next Integrated Relocation Program contract will provide optimal benefits to Canadians.

Conclusion

2.62 We concluded that, while Public Works and Government Services Canada, along with National Defence, the Royal Canadian Mounted Police, and the Treasury Board of Canada Secretariat, followed most of the established processes for a competitive process, some barriers remained that did not facilitate access and encourage competition.

2.63 In conducting the process to award the 2009 contract for relocation services for the Integrated Relocation Program, we noted several steps in the procurement process that were not in compliance with the Treasury Board Contracting Policy and the PWGSC *Supply Manual*. These included not having completed a procurement plan and, consequently, elements of planning that either did not occur or occurred in reaction to situations as they arose. We also concluded that certain aspects of the evaluation process could be improved.

2.64 While officials took steps to remove some barriers to competition, we found that these steps were not sufficient. The decisions and actions by officials were reactive and due, in part, to the time constraints imposed by having missed key milestones. Taken cumulatively, these decisions and actions did not facilitate access and encourage competition and resulted in limiting the response to one service provider.

About the Audit

The Office of the Auditor General’s responsibility was to conduct an independent examination of Public Works and Government Services Canada (PWGSC), National Defence, the Royal Canadian Mounted Police (RCMP), and the Treasury Board of Canada Secretariat in their procurement of relocation services, and to provide objective information, advice, and assurance to assist Parliament in its scrutiny of the government’s management of resources and programs.

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by the Chartered Professional Accountants of Canada (CPA) in the CPA Canada Handbook—Assurance. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

Objective

The audit objective was to determine whether PWGSC, National Defence, the RCMP, and the Secretariat fulfilled their responsibilities in awarding the 2009 contract for the Integrated Relocation Program according to the Treasury Board Contracting Policy, Government Contracts Regulations, and the PWGSC *Supply Manual*.

Scope and approach

The audit included PWGSC, National Defence, the RCMP, and the Secretariat.

During the conduct of the audit, the team interviewed PWGSC, the Secretariat, the RCMP, and National Defence officials responsible for the 2009 relocation services contracting process. We reviewed pertinent documents produced by the four organizations during the procurement process and performed analysis with this information.

For the audit scope, we examined whether the four organizations completed required steps and documents in compliance with applicable procurement process requirements in place in 2009. We also examined the decision making and oversight of the procurement process.

We did not audit the management practices and decisions of the contractor. Nor did we audit the records of private sector contractors. The audit scope did not include contracts for moving household goods.

The conclusions of this audit should not be interpreted as relating to any subsequent contracting process or future contract for integrated relocation services.

This audit examined the awarding of the 2009 contract. Audit work examining the management of the 2009 contract will be reported on in a subsequent chapter.

Criteria

Criteria	Sources
<p>To determine whether Public Works and Government Services Canada, National Defence, the Royal Canadian Mounted Police, and the Treasury Board of Canada Secretariat fulfilled their responsibilities in awarding the 2009 contract for the Integrated Relocation Program according to the Treasury Board Contracting Policy, Government Contracts Regulations, and the Public Works and Government Services Canada Supply Manual, we used the following criteria:</p>	
<p>Public Works and Government Services Canada, National Defence, the Royal Canadian Mounted Police, and the Treasury Board of Canada Secretariat carried out activities for awarding the 2009 contract in a manner that facilitated access and encouraged competition for the following phases of the contract award process:</p> <ul style="list-style-type: none"> • requirement definition, • procurement strategy, • solicitation, • evaluation/negotiation, and • contract approval. 	<p>Government Contracts Regulations Contracting Policy, Treasury Board <i>Supply Manual</i>, Public Works and Government Services Canada</p>

Management reviewed and accepted the suitability of the criteria used in the audit.

Period covered by the audit

The audit covered the period between August 2006, when the federal government began its work on the development of the 2009 relocation service contract, and December 2009, when the contract was signed. Audit work for this chapter was completed on 31 January 2014.

Audit team

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Appendix Recommendation

The following recommendation is found in Chapter 2. The number in front of the recommendation indicates the paragraph where it appears in the chapter. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
<p>Overall effects of actions and decisions</p> <p>2.61 For future Integrated Relocation Program procurements, Public Works and Government Services Canada, in collaboration with National Defence, the Royal Canadian Mounted Police, and the Treasury Board of Canada Secretariat, should manage the procurement process as a project of significant complexity and risk, and manage it with sufficient oversight and accountability. (2.19–2.60)</p>	<p>Agreed. In future Integrated Relocation Program procurements, Public Works and Government Services Canada, in consultation with client departments, will apply the principles of SMART Procurement, which are aligned with the core procurement values of openness, fairness, transparency, and stewardship. The following activities for the new Integrated Relocation Program contract are planned or currently being implemented using the SMART Procurement principles:</p> <ul style="list-style-type: none"> • Early Engagement: Through the use of industry days and one-on-one briefings with industry, the government will bring clients and suppliers together at the beginning of the procurement process and throughout to promote dialogue and exchange ideas. • Effective Governance: New Assistant Deputy Minister and Director General committees have been established to ensure that project decisions, risks, and issues are visible and have clear and defined mechanisms to address issues within an effective framework. • Independent Advice: Third parties will be engaged as necessary to provide independent and objective advice during the procurement process. • Benefits for Canadians: Consideration will be given to how the selected procurement strategy for the next Integrated Relocation Program contract will provide optimal benefits to Canadians.