

PRIVY COUNCIL OFFICE

Audit of Contracting

Audit and Evaluation Division

Final Report

February 17, 2010

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Executive Summary

Audit Objective

The objective of this internal audit was to assess the adequacy of the controls in place to achieve compliant and effective procurement of goods and services, including advertising and public opinion research, and proactive disclosure of contracts.

Scope

The audit scope included all phases of the procurement process including procurement planning, solicitation activities and contract award, contract administration, and contract close-out. More specifically, the audit scope included:

- Contracts issued by the Privy Council Office (PCO) or by Public Works and Government Services Canada (PWGSC) on behalf of PCO from January 2008 through June 2009 (an 18 month period). This period included 2186 transactions with a dollar value of \$31 million. This line of inquiry included a review of contract supporting documentation (i.e.: contract files) for evidence to demonstrate appropriate procurement planning, solicitation activities, contract award, administration of amendments, and contract close-out; and
- Financial transactions resulting from contracts issued by PCO or by PWGSC on behalf of PCO during the 18 month period of coverage. This line of inquiry included a review of documentation to support appropriate contract administration (e.g.: cost, performance, and *Financial Administration Act* (FAA) compliance).

The audit scope did not include acquisition card purchases or procurement from other government departments under Interdepartmental Settlements.

Audit Conclusion

PCO has established a good framework of control over its contracting function, which provides reasonable assurance that the department is compliant with applicable procurement authorities. However, the audit has identified certain areas where improvements to the control framework would enhance the effectiveness of the PCO procurement function. The risk level associated with areas for improvement, identified below, was assessed as low to moderate.

Summary of Findings and Recommendations

Our detailed findings are included in the body of this report. All recommendations are directed to the Assistant Deputy Minister, Corporate Services Branch.

Compliance

Overall compliance with Treasury Board, PWGSC and departmental policy is good; however, there is some risk associated with the relatively high number of contracts issued for work that has already begun; i.e.: after the fact.

The PCO contracting function has several areas of strength.

- Files are very well documented and complete, including appropriate approvals and commitment documents;
- Payments are made in accordance with the contract terms and conditions and the FAA, sections 32, 33 and 34; and
- Requirements; specifications for goods and the Statement of Work for service contracts, are set out in a fashion appropriate to the dollar values involved, security requirements are addressed and justifications are provided.

A large number (29%) of contract files have documentation that was prepared after the contract was initiated. These “retroactive” contracts generally fall into one of two categories; (1) low dollar value transactions (those under \$5,000) for which procurement documents are created to support the payment process and (2) professional service contracts where managers did not involve PCS until work had commenced. For low dollar value transactions, it is an unnecessary practice to create contract documentation after the fact merely to support payment.

Recommendation 1 – Revise the current practice to no longer create procurement documents / files for low dollar value (< \$5,000) after the fact purchases.

Recommendation 2 - Reinforce the need to involve Procurement and Contracting Services at the earliest possible stages of the contracting process for both initial contract establishment and amendments.

Proactive Disclosure

The current process to identify and make public PCO contract data on the departmental Internet site is informal and undocumented and does not include a formal sign-off by a senior officer. Initially, proactive disclosure requirements were quite limited, e.g. they did not include contract amendments; thus a relatively simple process was sufficient. However, in June 2008, Treasury Board added proactive disclosure to its *Contracting Policy* and expanded the requirements resulting in the need for a more mature process to ensure compliance with Policy requirements and the supporting TBS Guidelines.

Recommendation 3: Update and document the process for proactive disclosure to ensure satisfaction of the requirements for accuracy and timeliness as described in the revised TBS Guidelines on the Proactive Disclosure of Contracts.

Management Control Framework

The Management Control Framework and PCO's overall approach to managing contracting risks are fundamentally sound. The role and structure of the PCO Contract Review Committee (CRC) are adequate based on the type and volume of PCO contracting activity. Currently, the CRC reviews proposals for professional services contracts where the original contract value is over \$10,000, but not normally those issued through PWGSC; call-ups against Standing Offers and amendments; and contracts pursuant to supply arrangements and amendments. By excluding such contract proposals from mandatory CRC review, PCO places great reliance on controls that reside largely outside the department, while the risks still remain within PCO.

Recommendation 4: Re-examine the rationale behind the exemptions currently identified in the CRC Mandate and determine if all exemptions remain consistent with PCO's current risk tolerances.

Management Response

Management accepts the report and its recommendations. A Management Action Plan is included in Section 3.0 of this report.

Statement of Assurance

In my professional judgment as Chief Audit Executive, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the conclusion provided and contained in this report. The conclusion is based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria that were agreed with management. The conclusion is applicable only to the entity examined. The evidence was gathered in compliance with the Treasury Board *Policy on Internal Audit*.

Original signed by the Chief Audit Executive

**SIGNATURE OF CHIEF AUDIT EXECUTIVE
JIM HAMER**

1.0 Introduction

1.1 Authority

The Audit of Contracting was approved as part of the Multi-Year Internal Audit Plan for the Privy Council Office (PCO) 2009-2010 to 2011-2012.

1.2 Background

At PCO, the procurement and contracting function is centralized. Goods and services contracts, with the exception of acquisition card transactions, are prepared by Procurement and Contracting Services (PCS), who has the overall responsibility to act as the contracting authority (CA) on behalf of PCO. The CA is responsible for developing and implementing procurement strategies, validating any requests to direct a contract, conducting solicitation activities and awarding contracts. The CA is also responsible for providing assistance and direction to PCO managers and staff on all contracting issues. Public Works and Government Services Canada (PWGSC) acts as the CA when it is issuing the contract on behalf of PCO. All contracts for public opinion research and for advertising services can be awarded only by PWGSC.

The role of the Project Authority (PA) is fulfilled by PCO managers. The PA is responsible for identifying and defining the requirement; developing the Statement of Work (SOW), evaluation and selection criteria; and for the overall management of the performance of the selected contractor including directing, overseeing the work of the contractor, approving time sheets as necessary, ensuring the project meets agreed upon timetables and standards, ensuring terms and conditions of contracts are respected, and evaluating contractor performance. The PA is responsible to request contract amendments to the CA if necessary, and for certifying contractor invoices.

1.3 Objective

The objective of this internal audit was to assess the adequacy of the controls in place to achieve compliant and effective procurement of goods and services, including advertising and public opinion research, and proactive disclosure of contracts.

1.4 Scope

The audit scope included all phases of the procurement process including procurement planning (which includes requirements definition), solicitation activities and contract award, contract administration, and contract close-out. More specifically, the audit scope included:

- Contracts issued by PCO or by PWGSC on behalf of PCO from January 2008 through June 2009 (18 month period). This line of inquiry included contract support documentation (i.e.: contract files) to demonstrate appropriate procurement planning, solicitation activities, contract award, administration of amendments, and contract close-out; and
- Financial transactions resulting from contracts issued by PCO or by PWGSC on behalf of PCO during the 18 month period of coverage. This line of inquiry included documentation supporting appropriate contract administration (e.g.: cost, performance, and *Financial Administration Act* (FAA) compliance).

The audit scope did not include acquisition card purchases or procurement from other government departments under Interdepartmental Settlements.

1.5 Audit Criteria

Criteria applied during the audit:

1. *PCO procurement activities comply with Treasury Board, PWGSC and departmental requirements.*
 - *During procurement planning - requirements (including security) are clearly defined, appropriate methods are selected, and justification is documented;*
 - *Appropriate approvals are in place for each procurement;*
 - *The processes for soliciting bids and awarding contracts are in compliance with the regulatory requirements and respect authorities; and*
 - *Contract amendments are properly authorized, documented and reasonable.*
2. *Contract payments are made in accordance with the terms and conditions of the contract and sections 32, 33 and 34 of the FAA.*
 - *Funds are properly committed (FAA section 32);*
 - *Certification of contractor performance is properly documented (FAA section 34);*
 - *Payment authority is properly exercised (FAA section 33).*

3. *Contracts over \$10,000 are proactively disclosed in accordance with Treasury Board policy.*

4. *PCO has an adequate Management Control Framework, appropriate to the needs of the department, for contracting for goods and services.*
 - *PCO policies and procedures are consistent with government policies relating to contracting for goods and services;*
 - *PCO organizational structure and roles and responsibilities are clearly defined, understood, and documented;*
 - *Communication and training for contracting is sufficient, available, and is provided in a timely manner;*
 - *Monitoring and reporting practices provide management with reliable, relevant, and timely information for decision making.*

Detailed Audit Criteria are attached as Appendix A.

1.6 Approach and Methodology

A number of methodologies were employed during the conduct phase of this audit, including:

- Process mapping of key procurement control processes and comparison with federal government requirements and regulations. Process charts prepared by PCS were validated; key controls were identified;
- Analysis of PCO policies, guidelines and other administrative documentation, and comparison with federal government requirements and regulations;
- Interviews with procurement and finance personnel to obtain clarification and information regarding procurement roles, responsibilities, processes, and procedures;
- Detailed analysis of electronic contracting data;
- Review of supporting documentation from sampled contract files (selected using statistical sampling methodology supplemented with judgmental sampling – discussed below);
- Comparison of contract financial records with source documents, delegated authorities, and contract terms and conditions; and
- Confirmation that contract proactive disclosure matches database records.

Sampling and Testing Approach

As shown in the table below, the total population under review included 2186 transactions. The audit team tested a sample of 70 transactions selected on a random statistical basis, providing a 90% confidence level with a $\pm 10\%$ precision level. The sampling method was systematic, involving the selection of sampling units using a fixed interval between selections, the first interval having a random start and thereafter, the selection of every 'nth' unit from the population.

Population Data

	No.	%	\$ Value	%	Average
Contracts awarded by PWGSC	148	6.8%	\$9,999,760	32.0%	\$67,566
Purchase Orders	801	36.6%	\$1,859,398	6.0%	\$2,321
Temporary Help Services Contracts	98	4.5%	\$2,875,997	9.2%	\$29,347
Call-ups against standing offers/ supply arrangements	895	40.9%	\$13,713,776	43.9%	\$15,323
Professional Services Contracts below \$10,000	139	6.4%	\$609,434	2.0%	\$4,384
Professional Services Contracts \$10,000 to \$24,999	100	4.6%	\$1,830,828	5.9%	\$18,308
Professional Services Contracts greater than \$25,000	5	0.2%	\$337,155	1.1%	\$67,431
Total	2186	100%	\$31,226,348	100%	\$14,285

Descriptive statistics from the statistical sample¹:

- 18 transactions were over \$10,000;
- 6 were sole source Professional Service Contracts;
- 32 were call-ups against standing offers of which 4 were for Temporary Help Services (THS);
- 8 were issued through PWGSC; and,
- 20 were purchase orders.

An additional 25 procurement transactions were selected from the overall population in addition to 23 THS contracts based on auditor judgment. Selection criteria included potential anomalies such as:

From the overall population:

- Transaction greater than \$25K AND non-competitive (Goods);
- Repeat suppliers;
- Use of Advance Contract Award Notification (ACAN); and
- Public Opinion Research Contracts.

From the population of THS transactions:

¹ Note that there is some overlap in the categories resulting in the total being greater than 70.

- Greater than 20 weeks duration (i.e.: those requiring higher approval level);
- Higher dollar value - close to the \$89k limit for this type of contract; and
- Multiple contracts involving the same individual (resource).

2.0 Audit Findings, Conclusions and Recommendations

The following sections detail the audit team's resultant findings, conclusions and recommendations.

2.1 Compliance (Criteria 1 and 2)

Overall compliance with Treasury Board, PWGSC and departmental policy is good; however, there is some risk associated with the relatively high number of contracts issued for work that has already begun; i.e.: after the fact.

From the Statistical Sample of Transactions

Overall, compliance with the prevailing policies is good. Additionally, the PCO contracting function has several areas of strength.

- Files are very well documented and complete, including appropriate approvals and commitment documents;
- Payments are made in accordance with the contract terms and conditions and the FAA, sections 32, 33 and 34; and
- Requirements; specifications for goods and the SOW for service contracts, are set out in a fashion appropriate to the dollar values involved, security requirements are addressed and justifications are provided.

The terms and conditions of any contract issued pursuant to the *Government Contracts Regulations* and the Treasury Board *Contracting Policy* should be formulated in writing². From the statistical sample of contracts reviewed for the audit, all files contained the appropriate documentation; however, in 29% of the files it was noted that the documents were completed after the contract was initiated; i.e. they were done after the fact. These "retroactive" contracts generally fall into one of two categories; (1) low dollar value transactions (those under \$5,000) for which procurement documents are created to support the payment process and (2) professional service contracts where managers did not involve PCS until work had commenced.

² Treasury Board *Contracting Policy*, section 12.1.2

Thirteen transactions (representing 65% of retroactive contracts) were of the low dollar value variety, created to support the payment process including five with a value under \$1,000 and eight between \$1,000 and \$5,000. This group includes four phone / wireless / cable service related contracts. There is no policy or legislative requirement for this practice. The existence of a commitment and a valid invoice duly authorized under FAA section 34 to confirm receipt of goods or services by the responsible manager meet the requirements of expenditure control. The Chief, Financial Policies, Systems and Internal Controls confirmed that this is an unnecessary practice, that there is no requirement for contractual documentation for after the fact low dollar value transactions and that a standard commitment document would satisfy the requirements for FAA section 32.

For contracts greater than \$5,000, there were seven cases where documentation was completed after the fact. In five of these seven cases, the contracts were approved by the appropriate Assistant Secretary, Assistant Deputy Minister or Chief of Staff as required by PCO policy. The two cases without such approval represent lower risk transactions as they were both for the lease of goods (art work from the Art Bank) rather than for the purchase of professional services.

Additionally, for contracts greater than \$5,000, there were two cases where amendments were after the fact. Both were approved by the appropriate Assistant Secretary, Assistant Deputy Minister or Chief of Staff as required by PCO policy.

From the Judgmental Sample of Transactions

As stated earlier under Audit Methodology, additional procurement transactions were selected on a judgmental basis from the overall population for review. Notable findings from the judgmental sample are identified below.

In one file for professional services valued at \$95,000, the contract was issued after work had commenced; the contract was, however, approved by the appropriate Senior Manager as required by PCO policy.

In another case, the use of an ACAN, the only one during the review period, was not adequately justified at initiation. This situation was recognized, in hindsight, by PCS during subsequent discussion with the relevant Manager about amending the contract in question. During the discussion with the Manager, an agreement was reached that there would be no further amendments and this resource would not be contracted on a sole source basis again for this ongoing requirement. Rather, there would be an open Request for Proposal process to acquire additional resources if required.

From the 23 THS transactions reviewed as part of the judgmental sample, the audit found that, overall; PCO had followed the procedures established by PWGSC for this type of contract. Notably; firms with the lowest price were given the first opportunity to satisfy the requirement, the hourly rate paid equaled the posted rate, security clearances were confirmed for all contracts, and all contracts were under the \$89,000

limit. There were, however, three contracts with no documented justification for selection when the contract was issued to a firm that was not the lowest price responder, and two instances in which the appropriate approval was not received when the contract duration was amended to extend beyond 20 weeks.

PWGSC has recently introduced changes to the THS contracting process, including limiting these contracts to 48 weeks (plus 24 weeks with PWGSC approval) and expanding the maximum dollar limit to \$400,000. Appendix C to the PCO *Policy on Service Contracts*, which addresses THS, has not been updated to reflect the changes introduced by PWGSC.

Also reviewed as part of the judgmental sample were contracts for both public opinion research and advertising. The contract files reviewed were well documented and processed via PWGSC in accordance with policy.

Recommendations

- 1. That the Assistant Deputy Minister, Corporate Services Branch revise the current practice to no longer create procurement documents / files for low dollar value (< \$5,000) after the fact purchases.**
- 2. That the Assistant Deputy Minister, Corporate Services Branch reinforce the need to involve PCS at the earliest possible stages of the contracting process for both initial contract establishment and amendments.**

2.2 Proactive Disclosure (Criterion 3)

The proactive disclosure process to identify and make public PCO contract data on the departmental Internet site is informal and undocumented and does not include a formal sign-off by a senior officer.

In 2004, as part of the Budget, the government committed to “publicly disclose all contracts entered into by the Government of Canada for amounts over \$10,000, with only very limited exceptions, such as national security.” The requirements have been phased in over time. Initially, proactive disclosure requirements were quite limited, e.g. they did not include contract amendments; however, in June 2008, Treasury Board added proactive disclosure requirements to its *Contracting Policy*. The Policy now requires deputy heads to “publicly disclose quarterly, within one month after the close of each quarter, contracts entered into and amendments valued at over \$10,000.” This change was followed in April 2009 with updated TBS Guidelines³ designed to assist departments in satisfying the new policy requirements.

From the contracts reviewed in the statistical sample, 18 met the criteria requiring

³ Guidelines on the Proactive Disclosure of Contracts

proactive disclosure, including one that was amended after the new Guidelines were issued. Contract data for 2 of the 18 could not be located on the PCO Internet site section for proactive disclosure. Additionally, in two instances disclosure was done four months after the beginning of the work due to lateness in initiating contracting paper work. The contract amendment was disclosed for the one instance required. The timeliness of posting contract data, i.e. within one month after the close of each quarter, as required by the *Contracting Policy*, could not be verified because the information is not tracked and recorded.

The current PCO process does not include Chief Financial Officer (CFO) approval of proactive disclosure as recommended in the TBS Guidelines, which state that the department's CFO or equivalent be responsible for ensuring that data reported is appropriately validated, complete and reported in a timely manner.

Recommendation

- 3. That the Assistant Deputy Minister, Corporate Services Branch update and document the process for proactive disclosure to ensure satisfaction of the requirements for accuracy and timeliness as described in the revised TBS Guidelines on the Proactive Disclosure of Contracts.**

2.3 Management Control Framework (Criterion 4)

The Management Control Framework and PCO's overall approach to managing contracting risks are fundamentally sound; however, limits on the types of contract proposals referred to the Contract Review Committee should be re-examined.

PCO has established a Contract Review Committee (CRC), which includes representation from legal, finance, security, and human resources. The Committee provides advice and guidance to responsibility centre managers who are proposing to enter into a contract for services on the degree to which the proposed contract complies with departmental and Treasury Board policies and procedures on contracting. Given the structure of PCO and the type and volume of PCO contracting activities, the role and composition of the CRC appear adequate to meet the intent of Treasury Board *Contracting Policy*.

Section 11.1 of the *Contracting Policy* recommends the establishment and maintenance of a formal challenge mechanism for all contractual proposals, including those within departmental authority, those sent to PWGSC and those submitted to the Treasury Board. Currently the CRC reviews professional services contracts processed internally under departmental authority where the value exceeds \$10,000, including those requiring Treasury Board approval when in excess of departmental authority. Contracts not currently referred to the CRC include:

- contracts to be issued through PWGSC;
- call-ups against a standing offer (SO) and resultant amendments thereto (including temporary help); and
- contracts to be issued pursuant to a supply arrangement (SA) and resultant amendments thereto⁴.

Under this approach to managing contracting risks, PCO currently relies heavily on risk management mechanisms outside its control, such as the provisions that govern call-ups against an SO and contracts issued pursuant to an SA, or the expertise of contracting personnel at PWGSC, while the risks still remain within PCO. Given the risk management role that the CRC already provides to PCO, there appears to be additional benefits from the CRC reviewing some contract proposals that are currently excluded – such as higher risk contracts or amendments: to be issued pursuant to an SA, to be issued as a call-up to an SO, or contracts to be issued by PWGSC on behalf of PCO.

In May 2008, PCS reported on a risk assessment of contracting within PCO⁵. That assessment classified the residual risk exposure from non-competitive contracts and contract amendments as medium. The risk exposure from other types of contracts was considered to be generally low. Currently, all contracts (medium risk non-competitive and lower risk competitive) above \$10,000 issued internally are reviewed by the CRC. With limited exceptions, amendments are not currently referred to the CRC for review. The audit did not identify any serious issues with contract amendments.

However, for THS contracts, 57% (56/98) from the review period featured amendments, and of these contracts, many were amended multiple times. This high volume of THS contract amendments suggests that these contracts had inadequate initial funding or inadequate pre-planning. The PCO *Policy on Service Contracts* specifically suggests every effort should be made to avoid such circumstances. Based on this, a strengthened challenge function for THS contracts may be warranted.

Recommendation

- 4. That the Assistant Deputy Minister, Corporate Services Branch re-examine the rationale behind the exemptions currently identified in the CRC Mandate and determine if all exemptions remain consistent with PCO's current risk tolerances.**

⁴ The full mandate of the Contract Review Committee can be found as Appendix B to this report.

⁵ Titled the "Risk Assessment of Contracting within PCO", May 2008

3.0 Management Response and Action Plan

Management accepts the report and its recommendations.

<p>Audit of Contracting</p> <p>The Assistant Deputy Minister, Corporate Services Branch has overall accountability for the Action Plan.</p>
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Recommendation	Response and Actions to be Taken	Responsibility	Target Date
The audit recommends that the Assistant Deputy Minister, Corporate Services Branch:			
1. Revise the current practice to no longer create procurement documents / files for low dollar value (< \$5,000) after the fact purchases.	<ul style="list-style-type: none"> The Administration Division and the Finance Division have revised the practice to no longer create procurement documents for transactions with a value below \$1,000. 	Director, Administration Division	Completed
	<ul style="list-style-type: none"> The Administration Division is reviewing the original rationale behind PCO's current practice for transactions between \$1,000 and \$5,000 and any impacts if the recommended practice is adopted. 	Director, Administration Division	April 1, 2010
2. Reinforce the need to involve PCS at earliest possible stages of the contracting process for both initial contract establishment and amendments.	<ul style="list-style-type: none"> The Administration Division will review approaches to strengthen practices including special procedures for urgent contracts. 	Director, Administration Division	May 31, 2010
	<ul style="list-style-type: none"> The Administration Division will continue to reinforce this message to PCO managers in the PCO Policy on Service Contracts, Contracting Guide for Managers and information sessions. 	Director, Administration Division	April 1, 2010

Recommendation	Response and Actions to be Taken	Responsibility	Target Date
	<ul style="list-style-type: none"> The Administration Division is in on-going discussions with the Art Bank to negotiate the terms of the contract renewals to avoid contract ratification. 	Director, Administration Division	April 1, 2010
<p>3. Update and document the process for proactive disclosure to ensure satisfaction of the requirements for accuracy and timeliness as described in the revised TBS Guidelines on the Proactive Disclosure of Contracts.</p>	<ul style="list-style-type: none"> The Administration Division will review the TBS Guidelines on the Proactive Disclosure of Contracts and ensure the reporting process is documented. 	Director, Administration Division	April 30, 2010 (next reporting date)
<p>4. Re-examine the rationale behind the exemptions currently identified in the Contract Review Committee's Mandate and determine if all exemptions remain consistent with PCO's current risk tolerances.</p>	<ul style="list-style-type: none"> The Administration Division will undertake a review to determine if the exemptions currently identified in the Contract Review Committee's Mandate remain consistent with PCO's current risk tolerances. 	Director, Administration Division	May 31, 2010

Appendix A: Detailed Audit Criteria

The following criteria were applied during the audit.

The PCO Contracting Control Framework is complete and adequate. Relevant elements of the Control Framework are regularly communicated to PCO employees.

The Control Framework includes the following instruments:

- Policy and directives;
- Roles and responsibilities for PCS, CA, PA, and the CRC, and current instrument of delegation of financial authority;
- Communication with employees, including training;
- Identification and evaluation of contracting and procurement management business risks; and
- Appropriate monitoring and reporting mechanisms to provide management with accurate information for decision-making.

Selected transactions were subject to the following detailed review. Note that shaded items were applied only to the judgmental sample.

Initiation process

A review process that ensures:

1. The PO or contract request includes specifications or a well composed statement of work. (PCO Policy, sec. 4 & 7)
2. Specifications/ or Statement of Work includes clearly defined deliverables where necessary. (PCO Policy, sec. 7)
3. Evidence that the best value possible for the money spent was considered. The selection methodology makes reference to price as reflecting a percentage of award and/or a "ranking" methodology based on price. (PCO Policy, sec. 4)
4. Request includes a statement in the contractor selection rationale that "*the proposed contractor's fee and level of effort have been reviewed and are deemed fair and reasonable according to industry standards.*" (Definitely applicable to non-competitive contract) (PCO Policy, sec. 4)
5. Consideration was given to the possible appearance of employer-employee relationships. (PCO Policy, sec. 4 & 6)
6. Selection of the services of former public servants reflects sound contracting practices, including fairness in the selection process and compensation. (PCO Policy, sec. 4 & 11)
7. Ownership or the intellectual property has been considered and addressed in the contract. (PCO Policy, sec. 12)

<p>8. Security clearance requirements have been addressed. (PCO Policy, sec. 14)</p> <p>9. The requirement is authorized under FAA sec.32 after document has been issued by Procurement and Contracting Services or PWGSC. (PCO Policy, sec. 21)</p> <p>10. The work started after the award of the contract.</p>
<p>Bid solicitation A review process that ensures:</p> <p>11. Selection criteria were established in relation to the good specifications/terms of reference. (PCO Policy, sec. 9.0)</p> <p>12. Potential suppliers/contractors were identified so that all qualified firms have an equal opportunity for access to government business. (PCO Policy, sec. 9.0)</p> <p>13. When applicable, changes to the bidding process have been handled in a transparent manner (all bidders have been contacted).</p> <p>14. When applicable, valid challenge to proposed ACAN award have been responded in re-advertised as a competitive solicitation using electronic or bidding methods. . (PCO Policy, sec. 9.2)</p>
<p>Contracting Process A review process that ensures:</p> <p>15. The solicitation process is appropriate for the proposed contract (the proper contracting mechanism has been adopted).</p> <p>16. The appropriate type of supply arrangement/contract document/forms have been used.</p> <p>17. Contract splitting does not apply.</p>
<p>Sourcing A review process that ensures:</p> <p>18. When applicable, there is a justification for a non-competitive contract exceeding \$25,000 clearly identifying and supporting the condition selected, to permit the setting aside of the requirement to solicit bids. (PCO Policy, sec. 9.3; TBS Contracting Policy Notice 2007- 4)</p>
<p>Bid Evaluation & Contractor Selection A review process ensure that:</p> <p>19. Evaluation of all potential contractors was done in writing in accordance with those predetermined criteria. (PCO Policy, sec. 9.0)</p> <p>20. The evaluation report is on file.</p>
<p>Contracting Authorities A review process that ensures:</p> <p>21. The contract is approved/signed by an authorized person. (PCO Policy, sec. 17)</p> <p>22. Contract was signed on or prior to start.</p> <p>23. The Contract Review Committee's approval has been obtained when required. (PCO Policy, sec. 21)</p> <p>24. CRC comments are returned within an absolute maximum of three working days. (PCO Policy, Appendix A, sec.4)</p> <p>25. Manager has signed that goods and services were received/rendered as per the terms and conditions of the contracts and has delegated authority (FAA s. 34).</p>

Contract amendments

A review process that ensures:

- 26. Contract amendment is issued before contract expiry date. Requests for amendments to contracts have been submitted on the appropriate form at least 10 working days prior to the required modification. (PCO Policy, sec. 19)
- 27. Contract amendments were approved/signed by an authorized person.

Public Opinion Research and Advertising

A review process that ensures:

- 28. Contracts for Public Opinion Research and Advertising services are awarded by PWGSC and there is evidence that PWGSC has assigned a project authorization number to the statement of requirements before initiating any procurement or contracting procedures. (PCO Policy, sec. 16.)

Proactive disclosure

A review process that ensures:

- 29. Contracts over \$10,000 are disclosed on the Internet quarterly. (PCO Policy, sec. 13.)

Contract Close-out

A review process that ensures:

- 30. The amount paid is within contracts limits.
- 31. Payment has been authorized under section 33 of the FAA.
- 32. Final claim / settlement are included in the file.
- 33. Contractor performance was evaluated and documented for reference.

Appendix B: Mandate of the PCO Contract Review Committee

Mandate

The Contract Review Committee (CRC) is a review body established under the aegis of the Assistant Deputy Minister (Corporate Services), it provides advice and guidance to a Responsibility Centre Manager, who is proposing to enter into a contract for services, on the degree to which the proposed contract complies with departmental and Treasury Board policies and procedures on contracting.

The Committee reviews professional services contracts processed internally under departmental authority where the value exceeds \$10,000, including those requiring Treasury Board approval when in excess of departmental authority. The observations and recommendations of the Committee will be communicated to the manager concerned, who is accountable for the final decision. Where a manager decides to proceed against the recommendations of the CRC, the Committee will ensure that the manager's superior officer is made aware before the contract is issued.

The Assistant Director, Administration Division, may approve professional services contracts and any subsequent amendments processed under departmental authority where the value of the original contract is equal to or less than \$10,000, providing he or she is satisfied with the conditions of the contract and the Finance and Corporate Planning Division has certified that funds are available. When he or she has reason to question the appropriateness of any such contract, it should be referred to the CRC.

The following professional services contracts will not be referred to the CRC unless the Assistant Director, Administration Division, is of the opinion that the proposed contract raises issues that need to be considered by the CRC:

- contracts to be issued through PWGSC;
- call-ups against Standing Offers and amendments (including temporary help);
- contracts pursuant to supply arrangements and amendments ;
- departmental contract amendments with a value less than 50% of the original contract value;
- departmental contract amendments that require changes to the end date of the contract or slight modifications to the statement of work; and
- contracts for goods (as stipulated in Section 2.0 of this policy).

Source: PCO *Policy on Service Contracts*: Appendix A
Terms of Reference and Procedures for the Contract Review Committee

Appendix C: List of Acronyms Used

ACAN	Advance Contract Award Notices
CA	Contracting Authority
CRC	Contract Review Committee
FAA	Financial Administration Act
PA	Project Authority
PCO	Privy Council Office
PCS	Procurement and Contracting Section
PO	Purchase Order
PWGSC	Public Works and Government Services Canada
SOW	Statement of Works
TBS	Treasury Board Secretarial