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Audit of Professional Services Contracting

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Acronyms and Abbreviations

ADM(Mat)	Assistant Deputy Minister (Materiel)
CDMS	Contract Data Management System
CRS	Chief Review Services
DGMSSC	Director General Material Systems and Supply Chain
DMPP	Director Materiel Policy and Procedures
DND	Department of National Defence
DRMIS	Defence Resource Management Information System
D Svc C	Director Services Contracting
FAA	<i>Financial Administration Act</i>
FMAS	Financial Managerial Accounting System
FY	Fiscal Year
HR	Human Resources
MASIS	Material Acquisition and Support Information System
MND	Minister of National Defence
NATO	North Atlantic Treaty Organisation
OPI	Office of Primary Interest
SOW	Statement of Work
TBS	Treasury Board Secretariat



Synopsis

The Department of National Defence (DND) makes significant use of professional services contracts to obtain expert knowledge and to complement the existing workforce. Given the specialized nature of these contracts, the deliverables may be more difficult to define and value for money harder to assess, causing the inherent risk to be higher than for some other types of contracts. Several previous departmental audits and studies have made recommendations to strengthen the controls associated with professional services contracts. This audit examined the current management control framework, including the appropriateness of contracting strategies, the sufficiency of oversight and training activities, and the adequacy of management information, and makes recommendations for the way ahead.

Improvements in the management of professional services contracts were observed. A contracting certification course has been developed, and departmental websites contain significant guidance to aid managers in determining appropriate contracting strategies and approaches. As well, an electronic database has been implemented for tracking and reporting contracting activities. One audited group had completed a detailed analysis to rationalize the continued use of contracted resources, and in several cases had changed their method of completing tasks as a result. While this progress is noteworthy, the Department could benefit from taking further action in this regard.

To ensure value for money, alternatives to using professional services contractors must always be considered and the rationale for using such contracts over other options should be documented. Furthermore, to encourage efficiency and the appropriate management of contractors, fixed-price contracts with performance-based payment terms should be used when appropriate instead of per diem payment structures. Finally, the Department must ensure that complete and consistent management information is collected and reported on a timely basis to monitor and manage the use of contracts, as well as to better identify areas of risk.

Chief Review Services (CRS) is satisfied that the Management Action Plan will address the recommendations presented in this report. Follow-up to ensure effective implementation of the action plan will be completed as required.



Results in Brief

CRS completed this audit to assess whether current professional services contracting activities promote value for money and support the needs of management. The audit determined the degree to which contracting decisions are rationalized and documented; the sufficiency of current monitoring, oversight and training activities; and the accuracy and completeness of information available for decision-making purposes.

For fiscal year (FY) 2008/09, expenditures for contracted professional services amounted to approximately \$887 million.¹ Because of their total dollar value, sensitivity and complexity, this type of contract has been the topic of several CRS audits and reviews.² This audit builds on previous observations and makes recommendations for the way ahead.

There are specific challenges associated with the management of professional service contracts. Because these contracts involve a specialized skill set and expertise, deliverables can be more difficult to define than for other types of contracts, and the required duration can also be more difficult to determine. In addition, contractors often work on DND premises in close proximity to DND personnel, which may lead to the perception of an employer-employee relationship if not appropriately managed.

The Department would benefit by requiring that alternatives to contracting be considered prior to each contracting decision, and by ensuring the inclusion of appropriate contract terms. As well, enhanced risk-based monitoring and oversight would help to ensure these contracts are appropriately awarded and managed. Finally, by further defining management information requirements and developing more robust, consistent information sources, the Department would be positioned to better identify areas of risk and better meet government-wide reporting requirements.

Overall Assessment

DND has taken steps to strengthen the management of professional services contracts, principally through increased training and the creation of the Contract Data Management System (CDMS) for DND-tendered contracts.

Further benefits could be realized by:

- Ensuring the use of professional services contracts is rationalized and alternatives to contracting are considered;
- Using payment terms that support value for money; and
- Enforcing the reporting of contracting information to support a risk-based approach to monitoring and oversight.

¹ CRS estimate based in information recorded in the Financial Managerial Accounting System (FMAS).

² Previous CRS reports and reviews include the following: Audit of Contracting for Professional and Technical Services (2001), Audit of Contracting for Advertising and Related Services (2003), and Review of Contracting for Professional Services within the IM Group (2005).

Findings and Recommendations

Contracting Strategies, and Terms and Conditions. Although departmental guidance requires that managers consider all alternatives to contracting to promote value for money, there was little documented evidence that other options were considered before entering into the sampled contracts. The duration of the requirement, capacity of the workforce, and the relative cost of the options should be considered before deciding that contracting is the best option. However, the lengthy duration of some of the sampled contracts, combined with per diem rates that often (but not always) exceeded the cost of a public servant assigned similar tasks, suggests that in many cases short-term considerations are placed ahead of the Department's longer-term best interests.

Terms and conditions in professional services contracts do not always optimize value for money and may lead to the development of an inappropriate relationship between the Department and contractor. Terms and conditions included in some of the sampled professional services contracts appeared better designed for supervising an employee than managing a project. Statements of Work (SOW) were sometimes not sufficiently clear with few specifically defined deliverables and milestones. In addition, payments were for the most part based on per diem rates. This basis of payment increases the risk of non-delivery for the Department, and may not promote efficiency. The Department could benefit by developing terms and conditions that place increased emphasis on contractual outputs.

It is recommended that the Department reinforce the need for managers to rationalize and document the use of professional services contracting, with the aim of promoting a more strategic approach to contracting for professional services. Furthermore, contract terms that promote value for money such as performance-based payment terms or fixed-price contracts should be used when appropriate.

Monitoring, Oversight and Training. It is through monitoring and oversight that the Department can be assured that professional services contracts are managed in a compliant, value-added fashion. A monitoring cell has been established; however, it has yet to develop an overarching approach or formal workplan. Recent monitoring initiatives have tended to be in response to specific issues or requests as opposed to being based on an assessment of relative risk.

As recommended in previous audits, the Department has implemented new training and web-based resources to aid managers during the contracting process. Additional training requirements have also been identified and development of the required material is in progress. Improved monitoring will enable managers to identify areas where further training would be beneficial.

It is recommended that a risk-based monitoring program be developed to monitor and manage the use of professional services contracting activities. Resulting observations should be used to identify and address key risk areas.



Information and Reporting. Improving the completeness and availability of professional services contracting information would allow the Department to track trends, measure progress, and identify areas of risk for monitoring purposes. It is currently difficult to distinguish professional service contracts from other contract types because of the absence of a clear definition and inconsistencies in recording contractual information. As well, the lack of consistency complicates the consolidation of information from various systems in order to have a complete picture of professional services contracting activities.

The CDMS provides an electronic repository of some contract information, as was recommended in previous audits. However, it was designed principally to support the proactive disclosure of contracts, and as such does not capture all the information that would be useful for effective management and monitoring of these contracts. As well, the CDMS relies on “self-reporting” and cannot be reconciled to other departmental information systems. Therefore, it is difficult to assess the degree to which it captures all contracting information.

When fully implemented, the Defence Resource Management Information System (DRMIS) is expected to provide an integrated, accurate and complete picture of professional services contracting. For this to occur, however, management’s information requirements must be clearly defined and the system developed accordingly.

It is recommended that the Department identify its professional services information requirements and implement tools and approaches to enforce the complete and accurate reporting of such information.

Note: For a more detailed list of CRS recommendations and management response, please refer to [Annex A](#)—Management Action Plan.

Introduction

Background

All contracts require sound management to ensure deliverables are well defined and received as intended, rates are appropriate and competitive and overall value for money is obtained. Professional services contracts provide additional challenges in that the deliverables are often intangible, and fair value can be difficult to define.

The Treasury Board Secretariat's (TBS) contracting policy defines professional services as "services provided by individuals with significant training, qualifications and expertise in a professional, scientific, technical or managerial field."³ That said, there is no clear guidance as to what should be considered a professional service contract. The TBS definition specifies that legal, training and educational, advertising, printing and publishing and some other services are to be excluded; however, it also states that judgement must be applied in determining whether or not a contract should be classified as a professional services contract.⁴

DND financial statements for FY 2008/09 report \$1.86 billion in expenditures for Professional and Special Services. This population includes a vast range of contract types, from multi-year multi-million dollar contracts for outsourced solutions, such as NATO Flying Training Program in Canada and Integrated Relocation Services, to short-term consulting and temporary help contracts. Because of their dollar value and complexity, the former type of contract has often been the subject of individual audits.⁵

This current audit focused on higher-volume, lower-dollar-value contracts, i.e., those contracts deemed to be more consultative and short-term by nature, where previous departmental oversight may have been more limited. While there is no definitive means of segregating these types of contracts, an estimate places their magnitude at \$887 million for FY 2008/09.

Objective

The objective of this audit was to assess professional services contracting activities within the Department. More specifically, the intent was to determine whether:

- Contracting strategies and terms and conditions promote value for money;
- Training, monitoring and oversight of professional services contracting activities are sufficient to ensure compliance and encourage best value; and
- Professional services contracting information is complete, consistent, and sufficient for management purposes.

³ Treasury Board Contracting Policy, Appendix A: Definitions; <http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=14494§ion=text#appA>.

⁴ Ibid., 16.10 Consulting and Professional Services; <http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=14494§ion=text#sec16.10>.

⁵ CRS website <http://www.crs-csex.forces.gc.ca/reports-rapports/index-eng.asp>.



A listing of the criteria used to assess the audit objectives can be found in [Annex B](#).

This audit also considered the progress made since previous audits and reviews related to professional services contracting. Recommendations from prior CRS reports encouraged the Department to:

- Improve alignment of contracting decisions to the overall human resources (HR) strategy;
- Increase training in contract management; and
- Create and use an electronic repository of contract information to facilitate monitoring and reporting.

Scope and Methodology

The audit focused on expenditures for professional services during FY 2008/09, with the exception of expenditures related to major long-term contracts and outsourced solutions. Based on information recorded in FMAS, these expenditures are estimated to be approximately \$887 million.⁶

Audit findings and recommendations are based on:

- Review of 67 contracts and their related expenditures during FY 2008/09. The sampled contracts were managed by a cross-section of departmental organizations.
- Analysis of related information from the CDMS and the DND Proactive Disclosure website.
- Interviews with departmental contracting staff and representatives from Director General Material Systems and Supply Chain (DGMSSC) within the Assistant Deputy Minister (Materiel) (ADM(Mat)) organization.

⁶ This estimate of professional services expenditures was based on amounts coded to 50 general ledger accounts considered to align with the Treasury Board definition of professional services. The population was further refined to remove payments to vendors associated with large, multi-year defence contracts, or who generally provide services of a non-professional nature.



Findings and Recommendations

Contracting Strategies, and Terms and Conditions

Value for money in professional services contracting could be enhanced through increased analysis of alternatives and rationalization of the use of contractors, and through the use of terms and conditions that promote efficiency and enable effective management of the contract.

Used effectively, professional services contracts complement the existing employee workforce to improve results and enhance productivity. This objective is achieved when contractors are strategically engaged to supplement the knowledge and skills provided by departmental employees. Such a strategy considers both immediate and longer-term HR requirements, as well as succession planning and knowledge transfer requirements. The terms and conditions included in professional services contracts are important to the effective implementation of this strategy.

Human Resource Strategy

Previous CRS audits and departmental studies⁷ have identified the need to strategically consider the use of contractors in long-term HR planning. These reports recommended that the use of professional services contractors be rationalized and that an assessment be completed to determine the extent to which contracted tasks should be transferred to public servants over time.

Interviewed managers indicated that, subsequent to these audits and studies, they have more fully considered options other than contracting, and that there have been efforts to rationalize the use of contractors. Some interviewed technical authorities indicated that there have been informal discussions to incorporate contract work into the responsibilities of existing public servants. However, of the interviewed groups, only one had formally documented its efforts to rationalize the use of contractors. Based on a comparative analysis of costs, this group replaced more than 80 contractors with public servants. The group had also identified situations where it was more cost effective to contract, and consequently these contracts were not earmarked for conversion. Similarly, in the audit sample, some per diem rates were lower or equivalent to the rate for a public servant performing similar tasks; however, rates as high as \$1,200 daily were observed for lengthy contracts. This suggests that situations may remain where alternative options need to be considered to ensure value for money is achieved.

The duration of the requirement is also an important consideration in determining whether to contract or complete a task using a public servant. For short-term requirements, it can be more cost-effective to contract even though the hourly rate is higher than for an employee. However, in many cases, what may have started as a short-term requirement becomes a multi-year commitment. Contract terms ranged from eight months to five years for a sample of contractors working on DND premises on a daily

⁷ See Report to the Minister of National Defence by the Advisory Committee on Administrative Efficiency, 2003.

basis, with some contractors being renewed for multiple terms. This raises concern that employee-employer relationships are created and that succession is not being sufficiently considered.

It is recognized that cost and duration of requirement are only two of the criteria to be considered when deciding to contract. To be comprehensive, the decision process should also consider aspects such as the required skill set, the existing corporate knowledge and capabilities, the supervision required, and the degree to which the function is core to the success of the organization or Department.

The FY 2008/09 business planning guidance encouraged managers to determine whether resource requirements could best be met through contracting or staffing. It further provided for the conversion of professional services funding to salary wage envelope funding.⁸ As well, the DGMSSC website provides managers with factors to consider before initiating a contract, including the options to realign tasks, functions and resources within the organization, or use other “in-house” resources that may exist.⁹ However, within the audited groups, there was little evidence to confirm that managers were considering these options. Interviews conducted as part of this audit as well as previous studies indicate that in some cases managers chose to contract because they felt it was a more timely solution than staffing a position or because they believed resource constraints prevented the establishment of additional employee positions.

Contract Terms and Conditions

SOWs associated with a professional services contract should clearly detail the contractor’s responsibilities and the contractual deliverables. The SOW forms the basis for certifying under the *Financial Administration Act* (FAA) Section 34 that services were received in accordance with the contract, and also provides a framework for assessing the contractor’s performance.

This audit, consistent with previous audits and studies, found cases where SOWs did not contain specific deliverables, but rather were a listing of daily or weekly tasks. For example, one sampled SOW for a senior procurement specialist required that the contractor:

- Prepare, extract data from, or enter data into FMAS;
- Perform 11 of the 12 steps in the FAA Section 34 Account Verification Process; and
- Plan procurement and validate requirements for procurement.

Such SOWs do not clearly distinguish the contractor’s role from those of co-located public servants, resulting in a risk that contractors may be excessively managed. For instance, contractors may be treated as employees and given access to proprietary or confidential information which could impact the awarding of future work.

⁸ FY 2008/09 Business Plan Call Letter (Bilingual), dated July 2007, distributed by the Vice Chief of the Defence Staff. Intranet site only.

⁹ “Options to Contracting” on the Director Materiel Policy & Procedures 6 (DMPP 6). Intranet site only.

Payment terms for a contract can be structured in various ways, including per diem rate payments or fixed prices based on the achievement of certain milestones or deliverables. Of the contracts sampled, 97 percent had a per diem basis of payment. This method of payment requires the departmental manager to confirm the accuracy of the contractor's timesheet, a task which is not always feasible, in particular if the contractor works off-site. Per diem payments also increase risk to the Department as they are based on effort expended rather than results achieved. Increased use of milestone payments may result in a higher level of performance and increased economy for the Department and would encourage managers to focus on contract outcomes rather than the daily activities of contractors.

Recommendations

To ensure value for money, alternatives to using professional services contractors must always be considered and the rationale for the use of such contracts over other options should be documented.

OPI: ADM(Mat)/DGMSSC

To encourage efficiency and the appropriate management of contractors, fixed-price contracts with performance-based payment terms should be used when appropriate, instead of per diem payment structures.

OPI: ADM(Mat)/DGMSSC



Monitoring, Oversight, and Training

While mandatory contracting training is in place to provide guidance on contracting activities, additional monitoring and oversight is needed to ensure that appropriate professional services contracting practices are implemented, risks are identified and addressed, and value for money is achieved.

The authority to enter into professional services contracts has been widely devolved within the Department and a large number of personnel are involved in managing these contracts. In such an environment, it is important that risk-based monitoring and oversight is in place to ensure consistent, compliant and appropriate professional services contract management practices, and that relevant training is available to address any concerns.

Monitoring and Oversight

It is through monitoring and oversight that the Department can assess the effectiveness of training in ensuring that contracting policies and directives are appropriately implemented. Monitoring can also identify potential issues to be used as a basis for refining training materials.

Previous audits recommended that ADM(Mat) develop an ability to monitor the higher-risk contracts. Potential indicators of higher-risk contracts include:

- Multiple amendments;
- Longer than normal duration periods;
- Relatively high per diem rates;
- The same contracted resource on-site for an extended period; or
- Sole-sourced contracts, rather than competitively awarded.

Initial efforts have been made to establish a group within DGMSSC to perform this review function; however, to date, a comprehensive plan or monitoring approach has not been implemented. Monitoring activities have taken place by request or on a reactive basis. While this has resulted in certain improvements to contracting practices, monitoring activities have not necessarily been based on relative risk.

Developing a more comprehensive, risk-based approach could result in a more effective use of HR and would ensure areas of greater risk receive the appropriate level of attention.

Training

Previous audits recommended that increased training be provided to ensure managers understand contracting policies and acceptable practices. In accordance with the related management action plans, DGMSSC implemented:

- Website enhancements that included information outlining the contracting process, procedures, policy, tools and resources, training and development, and frequently asked questions.



- New training materiel, including an on-line contracting certification course, introduced in FY 2008/09, to create an awareness of contracting policy, processes, roles and responsibilities. Completion of this course is mandatory for departmental personnel who have contracting authority.

DGMSSC staff indicated that their future plans include the development of technical materials outlining specific contracting procedures to complement the awareness training now available. These are positive steps, and some of the results of increased training and awareness are evident. The audit found that there is a high degree of compliance with policy as it relates to contractual authorities, and the requirement for competition.

Training should continue to be developed based on the results of monitoring activities and related to risks inherent in contracting for professional services. For example, DGMSSC noted that the development of employer-employee relationships is an ongoing concern to the Department. While certain steps have been taken to identify contractors in the workplace, additional awareness of the difference between supervising an employee and managing a contracted resource is required to ensure inappropriate relationships do not develop. Further steps should be taken to reduce the risk of employees sharing sensitive information with contractors, or inappropriately involving them in decision making.

Recommendation

A formal, risk-based plan to monitor and manage the use of professional services contracts should be implemented to help identify, assess and address risk areas.

OPI: ADM(Mat)/DGMSSC

Information and Reporting

Further identification of management information requirements and more consistent and complete recording of professional services contracting information are required to ensure sound monitoring and management of contracts.

The existence of complete, accurate and timely information is often a key factor in improving management of a particular area. Such information allows trends to be monitored, risks and exceptions to be identified, and allows for more informed decision making. In the case of contracting, accurate information is also required to meet federal government proactive disclosure requirements.

Improvements have been made since earlier audits. Using funds commitment information recorded in FMAS, a large proportion of expenditures can now more readily be related to their associated contract, making it easier to confirm that contractual limits and authorities are respected. As well, with the implementation of the CDMS, much tombstone information associated with contracts awarded under the Minister of National Defence (MND)'s contracting authority is available. While this is notable progress, additional steps could be taken to improve the quality of information available for management decision making and for reporting on contractual activities.

Contract and Expenditure Identification

Recognizing that contracts for professional services require a different control framework than contracts for goods, or contracts for out-sourced solutions, TBS has developed a definition intended to allow identification of these types of contracts. The TBS definition excludes many services delivered by professionals—such as medical services, and education and training—seemingly in an attempt to focus on consultative services where the deliverable is less standard, and market price more difficult to establish.

The current DND financial reporting structure and, in particular, the general ledger structure does not align with the TBS definition. As well, there is no consistent departmental approach to reporting these expenditures. Consequently, it is difficult to measure any trends in expenditures for these services. Previous audits and reports have suggested that the Department could realize savings by converting some contracted activities to public service duties. While there is some evidence that this has occurred, it is not possible to quantify the overall result using currently available expenditure information.

Databases designed to house contract-specific information, including contract number, award date, start date, end date, and vendor name do not clearly differentiate between contracts for professional services and other services. This reduces the Department's ability to use information in these databases to identify the population for risk-based monitoring and other purposes. In addition, lack of consistency in the format of recorded contract numbers continues to complicate attempts to match or reconcile information in various systems.

Contract Data Management System

A previous CRS audit recommended that an electronic repository of contracting information be developed to provide a global picture of contracting activities and to assist in monitoring.¹⁰ In part to respond, the Department implemented the CDMS in 2005 to capture information relating to contracts undertaken using the delegated authority of the MND. This on-line tool is used both to request contracting services through Director Services Contracting (D Svc C) and to report contracts after they have been awarded.¹¹ To date, the primary use of the collected information is to support the mandatory proactive disclosure of contracts.

Since its introduction, the CDMS has had several revisions, each with the intent of improving the quality of data collected. The system, however, is “self-reporting” and relies on the contracting authority to report the required information after the contract has been awarded. An annual call letter is sent reminding managers to ensure all required contracts and amendments are reported. Despite this, there is a risk that some information may go unreported, in particular for contracts where D Svc C was not the contracting authority. Furthermore, as there is no way to reconcile reported information to other systems, such as FMAS, it is difficult to ascertain the degree of completeness of the information. This limitation reduces the Department’s ability to reliably analyze contracting trends and to complete risk-based sampling. It also makes it more difficult for the Department to ensure that proactive disclosure reports regarding contracting activity are timely and complete.

During interviews it was stated that CDMS is only an interim solution and that in the future all required contracting information will reside in DRMIS.¹² While DRMIS may alleviate some of the current challenges of ensuring all contracts are reported, information requirements must be clearly defined and made mandatory, if all information required for financial, managerial and other decision-making purposes is to be reliably collected.

Management Information Requirements

The contracting data currently collected is at a high level and to a large degree focused on the contract award process. Additional information could be collected which would be useful in the on-going management of professional services contracts, including:

- Number of contractors involved;
- Location of work, i.e., contractor premises or co-located with DND staff;
- Duration of time particular contractors have been on site;
- Anticipated total duration of the requirement;
- Per-diems rates; and
- Acceptability of services delivered by contractors.

¹⁰ CRS Review of Contracting for Professional Services within the IM Group, September 2005.

¹¹ Both those contracts arranged through D Svc C and those independently awarded by other groups under contracting authority.

¹² Expected to be launched at the beginning of FY 2010/11, this system intends to bring together the functionality of the Department’s financial management system, FMAS, and its materiel management system, MASIS, to improve visibility of activities, management reporting and financial management.

The audited groups were collecting some of this information on an informal basis. If captured consistently on a Department-wide basis, this type of information could be used to highlight trends, or in support of risk-based monitoring.

Recommendation

For both financial and management purposes:

- Professional services contracting information requirements should be determined, and a consistent interpretation and application of the definition of professional services should be applied throughout the Department; and
- Tools should be implemented to facilitate the consolidation and reporting of professional services contracting information, and to enforce the reporting of such information.

OPI: ADM(Mat)/DGMSSC



Annex A—Management Action Plan

Contracting Strategy

CRS Recommendation

1. To ensure value for money, alternatives to using professional services contractors must always be considered and the rationale for the use of such contracts over other options should be documented.

Management Action

The policies and procedures will be amended to ensure that other HR alternatives are considered and that decisions for high-risk contracts (e.g., on-site, per diem rates, longer term) as opposed to an alternative HR option be documented in the file prior to contracting for professional services. This requirement will also be added to the Basic Contracting and Procurement Course and the Contracting Direct-with-the-Trade course being developed.

OPI: ADM(Mat)/DGMSSC

Target Date: Draft policy and training changes by 31 August 2010. Translation and changes to the appropriate policy (likely the Procurement Administration Manual) and training packages by 31 March 2011.

CRS Recommendation

2. To encourage efficiency and the appropriate management of contractors, fixed-price contracts with performance-based payment terms should be used when appropriate, instead of per diem payment structures.

Management Action

Existing policies, procedures and training already make it clear that terms and conditions should include payment based on deliverables whenever possible. Nonetheless, related policies and training packages will be reviewed and changes will be made to reinforce the need for payments to be based on fixed-price terms and to reinforce that payment based simply on per diem rates should be avoided.

OPI: ADM(Mat)/DGMSSC

Target Date: Completion of review and drafting of changes will be completed by 30 August 2010, with the subsequent translation and promulgation by 31 March 2011.

Monitoring, Oversight and Training

CRS Recommendation

3. A formal, risk-based plan to monitor and manage the use of professional services contracts should be implemented to help identify, assess and address risk areas.

Management Action

The existing CDMS includes information on direct-with-the-trade contracts, as well as the use of standing offers. This includes the bulk of the professional services contracts that are of concern. The reporting fields within the CDMS will be amended to collect basic information (e.g., on-site versus off-site, payment based on per diem rates vice deliverables, duration) necessary to perform a monitoring function. Additionally, the possibility of creating a more formal risk-based monitoring system or the feasibility of creating a monitoring cell will be investigated.

OPI: ADM(Mat)/DGMSSC

Target Date: Recommended changes to the reporting system will be identified by 30 September 2010 and forwarded by 31 December 2010 to ADM(IM)/DMIS for implementation. Investigation into the creation of a more formal system and/or a monitoring cell will be completed by 31 October 2010.

Information and Reporting

CRS Recommendation

4. For both financial and management purposes:
 - a. Professional services contracting information requirements should be determined, and a consistent interpretation and application of the definition of professional services should be applied throughout the Department; and
 - b. Tools should be implemented to facilitate the consolidation and reporting of professional services contracting information, and to enforce the reporting of such information.

Management Action

- a. The current definitions (e.g., TBS) cover a very broad range of activities. The primary area of high risk is considered to include contracts where the resource works on-site, where payment is based on per diem rates and where the duration is lengthy. The changes to the CDMS and training packages (addressed in Recommendation 3) will focus on such contracts.

OPI: ADM(Mat)/DGMSSC

Target Date: 31 March 2011

Management Action

- b. The modifications to the existing CDMS that will be implemented will assist in meeting this requirement. The investigation into the creation of a more formal monitoring system (Recommendation 3) may also provide the necessary tools.

OPI: ADM(Mat)/DGMSSC

Target Date: 31 December 2010



Annex B—Audit Criteria

Objective

1. To determine if contracting strategies and terms and conditions promote value for money.

Criteria

- Alternatives to contracting are considered.
 - Contract terms that support value for money are used.
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Objective

2. To determine whether training, monitoring and oversight of professional service contracting activities is sufficient to ensure compliance and encourage value for money.

Criteria

- Sufficient training is provided and departmental monitoring and oversight of professional services contracting activities is performed.
 - Risks are identified, assessed and appropriately addressed.
-

Objective

3. To determine whether professional services contracting information is sufficient for management purposes.

Criteria

- Professional services are clearly and consistently defined.
- Information systems support information gathering.

