

***Courts Administration Service
(CAS)***

Audit of Compliance of
Procurement and Contracting
Practices

Approved by Mr. Daniel Gosselin
Chief Administrator
Courts Administration Service

January 11, 2013
Date

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1. EXECUTIVE SUMMARY

1.1. Background

As set out in the Courts Administration Service Act, CAS is mandated to provide effective and efficient registry, judicial and corporate services to four (4) separate and independent federal superior courts of record: the Federal Court of Appeal, the Federal Court, the Court Martial Appeal Court of Canada and the Tax Court. Through this Act and CAS' mandate, judicial independence is maintained by placing the courts at arm's length from the federal government while ensuring accountability for the use of public money.

With an annual operating budget of less than \$300 million, CAS is considered a small department and agency (SDA). For the fiscal year 2011-2012, CAS spent \$15.39M in goods and services¹.

CAS is designated as a sector of the Federal Public Administration by Schedule I.1 of the Financial Administration Act (FAA) and, as such, is subject to the Government of Canada's legislative and policy framework for contracting and procurement. Therefore, CAS' procurement and contracting practices are governed by a legislative policy framework, which includes the FAA, the *Government Contracts Regulations*, the Treasury Board of Canada Secretariat (TBS) Contracting Policy and the TBS Guidelines on the Proactive Disclosure of Contracts.

Procurement and contracting activities fall within the Contracting and Materiel Management Section (CMMS), which is a centralized function located at headquarters. Goods and services contracts, with the exception of some low dollar value acquisition card transactions and interdepartmental agreements, must be prepared by CMMS and, as of 2009², must be approved by one of the following four (4) Contracting Authorities: Chief Administrator, Deputy Chief Administrator of Corporate Services, Deputy Chief Administrator of Registry Services, and Deputy Chief Administrator of Judicial Services³. Furthermore, whenever applicable, members of the Contract Review Committee (CRC) are expected to exercise an oversight and challenge function prior to awarding a contract.

A multi-year internal audit plan for fiscal years 2012-2013 to 2018-19 indicated that the risk associated with procurement and contracting was ranked as moderate. As a result, Raymond Chabot Grant Thornton Consulting Inc. (RCGT) was retained to conduct a procurement and contract management compliance audit.

1.2. Audit Objectives and Scope

The objectives of the audit were to assess whether:

- CAS' control framework is adequate to ensure that procurement and contracts are issued in compliance with Government of Canada regulations, policies and procedures.
- Activities are undertaken to support an efficient procurement and contracting process.
- Appropriate standards and practices are in place for the sound management of procurement and contracts.

The scope of our audit included the management control framework and activities related to procurement and contracting in CAS. The audit included activities in the Finance and Contracting Services Division and other branches within Headquarters and regions.

¹ CAS 2011-2012 Financial Statements: Sum of Professional and Special Services, Transportation and Telecommunications, Materials and Supplies, Rentals, Machinery and Equipment, Repairs and Maintenance, Information.

² CAS, *Memorandum from R. P. Guenette, Chief Administrator*, March 5, 2009.

³ The positions of Deputy Chief Administrator of Registry Services and Deputy Chief Administrator of Judicial Services are currently occupied by the same person.

The audit covered April 1, 2011 to June 30, 2012 and included procurement and contracting processes for purchasing goods and services. Excluded from the scope were contracts under the exceptional contracting limits authority managed by Public Works and Government Services Canada (PWGSC), acquisition cards and purchases for travel and hospitality. This audit also did not examine compliance with TBS Guidelines on the Proactive Disclosure of Contracts.

A sample of 25 files was judgmentally selected and contracts were examined in detail. Contracts were selected on a judgmental basis to ensure that various types of procurement were included (see Appendix B).

1.3. Audit Findings and Recommendations

Seven (7) key recommendations are presented in numerical sequence and align with Section 1.4 – Management Response and Action Plan, and Section 2 – Detailed Audit Report.

Governance

Key Findings

Procurement and contracting roles and responsibilities are well understood within the Contracting and Materiel Management Section (CMMS) and among the responsibility center managers procuring goods or services. However, some updated job descriptions for individuals within the CMMS were not accurate or recent; procurement and contracting procedures and guidelines are not published; and training to staff within CMMS has been limited to new PWGSC procurement tools including TBIPS, SBIPS, PASS, THS, TSPS, etc. Training to responsibility center managers who perform procurement and contracting functions has been sporadic given the limited availability of CMMS staff.

Monitoring and quality assurance practices are in place through evidence of CMMS quality review procedures and senior management involvement throughout the procurement process, to help ensure compliance with Treasury Board policies and practices. However, we observed in some instances lack of documentation with respect to CMMS and the Contract Review Committee (CRC) providing quality review, inaccurate briefing notes to the contracting authority, and redundancies and inefficiencies throughout the procurement process; at times, this resulted in a lengthy procurement process. Moreover, the existence of a roll-up report on contracting activities would facilitate senior management in the exercise of a proactive oversight role.

Recommendations

We recommend that the Director General, Finance and Contracting Services, and in the case of recommendation # 5, the Chief Administrator:

1. Clarify, in the CRC terms of reference, the role of the Contract Review Committee to provide legal review/advice on contracts, establish controls to ensure appropriate legal review of CAS contracts that contain vendor terms and conditions, and consider reviewing the threshold and the timing for the intervention of the Contract Review Committee in the procurement process.
2. Develop a training program and guidance documents targeting employees who perform procurement and contracting functions.
3. Update the job descriptions for the Manager, Materiel Management, and Manager, Contracting Services, to reflect existing reporting lines and ensure that job descriptions include, as good practices, the recognition of the importance of values and ethics.
4. Ensure that: contract files which require CRC oversight are reviewed; quality assurance checklists are completed and signed by the individual performing the review; briefing notes accurately capture the type of procurement (e.g., sole source, competitive); and a roll-up report on contracting activities be developed and presented to senior management on a regular basis.

5. Consider the reinstatement of contract approval authority in accordance with the Delegation of Contract Approval Authority, or modify the restrictions currently in place while the DG, Finance and Contracting Services, reduce redundancies throughout the procurement process and establish service standards within the CMMS to enable performance measurement, specifically in the area of efficiency.

Internal Controls

Key Findings

Solicitation activities complied with TB's Contracting Policy, 28/02/2013 and internal directives and procedures. However, documentation in the contract file was not always sufficient to determine whether each member of the evaluation team performed an evaluation, or whether security clearances and standing offer prices were verified, as well as the reasoning for contract amendments. Although sole source contracts were appropriately justified, in one (1) instance, lack of attention in determining mandatory requirements created an exception which was inappropriately justified in the briefing note to the contracting authority.

Appropriate approvals were obtained in accordance with the FAA and the TB Policy on Contracting, and contracts were awarded within the approval limits set forth in the financial delegation of authorities. There were no deficiencies in applying the delegation under expenditure initiation (purchase request), section 32 (certification that appropriations are available) and section 41 (contract approval). However, we did observe two (2) instances where services were rendered prior to the contract being signed. One instance related to an urgent situation for which a verbal authorization was obtained from the Chief Administrator. However, the process for obtaining such authority is not sufficiently documented and the evidence not suitably demonstrated.

Recommendations

We recommend that the Director General, Finance and Contracting Services:

6. Develop standards for the content of contract files and verify that these standards are applied.
7. Ensure section 32 is signed prior to the procurement process being undertaken and reinforce the importance of not engaging in services prior to a contract being signed. In urgent situations, the Chief Administrator's approval should be obtained and such approval should be properly documented in the contract file.

1.4. Management Response

Management agrees with all the recommendations made in this report. An action plan has been developed to address the recommendations. Senior management expects that all the recommendations will be addressed by March 31, 2014.

1.5. Conclusion

Overall, CAS' control framework is adequate to ensure that procurement and contracts are issued in compliance with Government of Canada regulations, policies and procedures. The results of our audit indicated that appropriate standards and practices are in place, roles and responsibilities are well understood, financial delegations are followed, and monitoring and quality assurance measures are in place with senior management involved in all aspects of procurement. Nonetheless, we identified opportunities for improvement with respect to the internal policy framework, and for efficiency gains within the procurement and contract process and contract file documentation.

1.6. Statement of Conformance

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 audit conclusion is based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria that were agreed upon with management. The conclusion is applicable only to the entity examined. The evidence was gathered in compliance with Treasury Board policies, directives and standards on internal audit and conforms to the Internal Auditing Standards for the Government of Canada. The evidence gathered was sufficient to provide senior management with proof of the conclusion derived from the internal audit. A practice inspection has not been conducted.

<p>Pauline Blais, CPA Auditor Chief Audit Executive Internal Audit Division, Courts Administration Service</p>
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2. DETAILED AUDIT REPORT

2.1. Background

As set out in the Courts Administration Service Act, CAS is mandated to provide effective and efficient registry, judicial and corporate services to four (4) separate and independent federal superior courts of record: the Federal Court of Appeal, the Federal Court, the Court Martial Appeal Court of Canada and the Tax Court of Canada. Through this Act and CAS' mandate, judicial independence is maintained by placing the courts at arm's length from the federal government while ensuring accountability for the use of public money.

With an annual operating budget of less than \$300 million, CAS is considered a small department and agency (SDA). For the fiscal year 2011-2012, CAS spent \$15.39M in goods and services⁴.

CAS is designated as a sector of the Federal Public Administration by Schedule I.1 of the Financial Administration Act (FAA) and, as such, is subject to the Government of Canada's legislative and policy framework for contracting and procurement. Therefore, CAS' procurement and contracting practices are governed by a legislative policy framework, which includes the FAA, the *Government Contracts Regulations*, the Treasury Board of Canada Secretariat (TBS) Contracting Policy and the TBS Guidelines on the Proactive Disclosure of Contracts.

For CAS, the procurement and contracting activities fall within the Contracting and Materiel Management Section (CMMS), which is a centralized function located at headquarters. Goods and services contracts, with the exception of some low dollar value acquisition card transactions and interdepartmental agreements, must be prepared by CMMS and, as of 2009⁵, approved by one of the following four (4) contracting authorities: Chief Administrator, Deputy Chief Administrator of Corporate Services, Deputy Chief Administrator of Registry Services and Deputy Chief Administrator of Judicial Services⁶. Furthermore, whenever applicable, members of the Contract Review Committee (CRC) are expected to exercise an oversight and challenge function prior to awarding a contract.

A multi-year internal audit plan for fiscal years 2012-2013 to 2018-19 indicated that the risk associated with procurement and contracting was ranked as moderate. As a result, Raymond Chabot Grant Thornton Consulting Inc. (RCGT) was retained to conduct a procurement and contract management compliance audit.

2.2. Audit Objectives

The objectives of the audit were to assess whether:

- CAS' control framework is adequate to ensure that procurement and contracts are issued in compliance with Government of Canada regulations, policies and procedures.
- Activities are undertaken to support an efficient procurement and contracting process.
- Appropriate standards and practices are in place for the sound management of procurement and contracts.

2.3. Scope

The scope of our audit included the management control framework and activities related to procurement and contracting in CAS. The audit included activities in the Finance and Contracting Services, and other branches within headquarters and the regions.

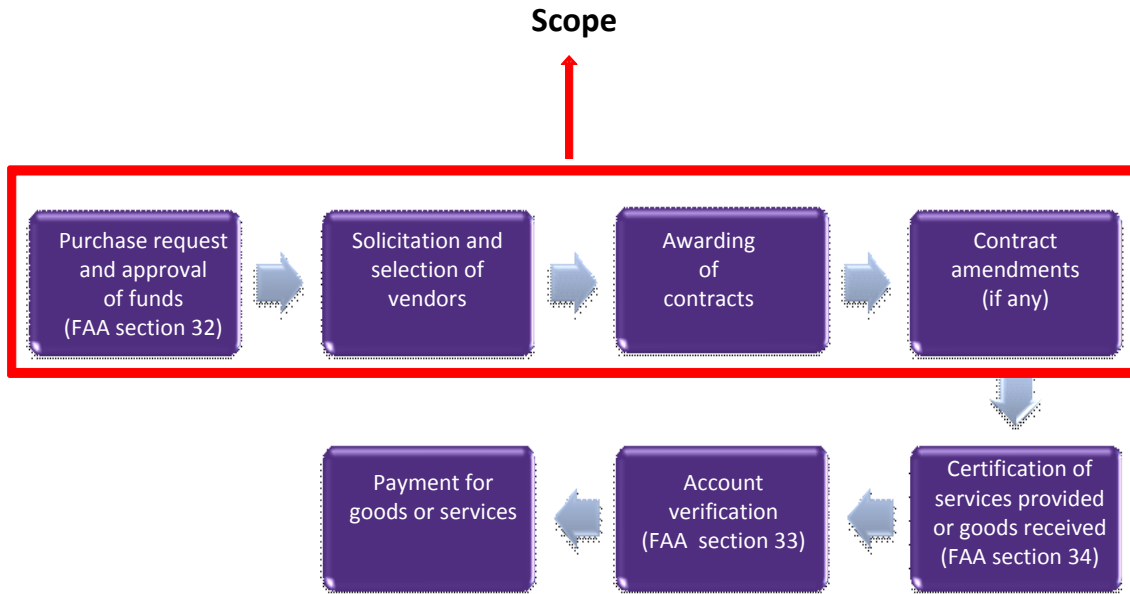
⁴ CAS 2011-2012 Financial Statements: Sum of Professional and Special services, Transportation and Telecommunications, Materials and Supplies, Rentals, Machinery and Equipment, Repairs and Maintenance, Information.

⁵ CAS, *Memorandum from R. P. Guenette, Chief Administrator*, March 5, 2009.

⁶ The positions of Deputy Chief Administrator of Registry Services and Deputy Chief Administrator of Judicial Services are currently occupied by the same person.

The audit covered the timeframe from April 1, 2011 to June 30, 2012 and included procurement and contracting processes for purchasing goods and services. Excluded from the scope were contracts under the exceptional contracting limits authority which are managed by Public Works and Government Services Canada (PWGSC), acquisition cards and purchases for travel and hospitality. This audit also did not examine compliance with the TBS Guidelines on the Proactive Disclosure of Contracts.

A summary of the procure-to-pay process is presented below to highlight the scope of our audit.



text version

2.4. Methodology

In support of the requirements under *TB Policy on Internal Audit*, audit criteria were developed and linked to each audit objective under the categories of governance and internal controls (see Appendix A for detailed audit criteria).

The audit work for this project was substantially completed on November 30, 2012. Our audit work consisted of a review of management practices, the system of internal controls, related policies, procedures, guidelines and processes, interviews with departmental officials, examination of procurement and contracting files, and a review of the Contract Review Committee’s terms of reference, job descriptions and training material.

Interviews were conducted with staff directly involved with the procurement of goods and services, including the Director of the Contracting and Materiel Management Section, regional branch managers, administrative officers, and procurement and contracting staff.

A sample of 25 files, in total, was judgmentally selected and contracts were examined in detail. Contracts were selected on a judgmental basis to ensure that various types of procurements were included (see Appendix B).

3. FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSE

3.1. Introduction

This section presents detailed findings from the Procurement and Contract Management audit at the Courts Administration Service. Findings are based on the evidence and analysis from both our initial risk analysis and the detailed audit.

3.2. Governance

3.2.1. Roles and responsibilities

The Contracting and Materiel Management Section (CMMS) assists responsibility center managers⁷ to procure goods and services. We observed that roles and responsibilities of individuals within the CMMS and responsibility center managers procuring goods or services are well understood. CMMS and responsibility center managers understand the importance of conducting a competitive process when possible, and if not, of appropriately justifying a sole source contract. We observed that sole source justifications were appropriately documented in all of the eight (8) sole source contracts we reviewed.

The Contract Review Committee (CRC) ensures that CAS contracts above \$5,000 are in accordance with the Treasury Board of Canada Secretariat Contracting Policy and *Government Contracts Regulations*. Their intervention occurs at the end of the contracting process, prior to submitting the contract for approval by the Contracting Authorities. Roles and responsibilities of the CRC are outlined in the terms of reference.

The CRC, whose membership includes CAS lawyers, also reviews contracts from a legal perspective because CAS no longer has a dedicated legal counsel position on staff. Providing legal advice on contracts is not included in the CRC terms of reference. In addition, we observed that two (2) out of twenty-five (25) contracts contained vendor terms and conditions. For these two (2) contracts, we did not observe evidence that the CRC reviewed the vendor terms and conditions from a legal perspective.

Provision of legal advice by CRC without appropriate terms of reference combined with a lack of documentation indicating that CRC reviewed the contract for legal risks, may expose CAS to unforeseen legal liabilities.

The late intervention of the CRC in the contracting process is not conducive to the Committee recommending a different course of action for a procurement activity as this would further the delay in the procurement process.

Recommendation:

1. The Director General, Finance and Contracting Services, should:
 - a. Clarify in the CRC terms of reference, the role of the Contract Review Committee in providing legal review and advice on contracts;
 - b. Establish controls to ensure appropriate legal review of CAS contracts containing vendor terms and conditions; and
 - c. Consider reviewing the threshold and the timing for the intervention of the Contract Review Committee in the procurement process.

Management Response and Action Plan

Agree – The DG, Finance and Contracting Services, will take the necessary actions to review the terms of reference of the Contract Review Committee and enhance specific controls in the procurement process. These actions will be resolved by December 31, 2013.

⁷Individuals within CAS who require goods or services

3.2.2. Procurement and Contract Management Tools and Enablers

Guidance documents such as policies, procedures and directives provide a point of reference for individuals procuring goods and service. Policies, procedures and directives also help ensure compliance with relevant central agency policies such as the Treasury Board (TB) Policy on Contracting. CAS's intranet site includes responses to frequently asked questions ranging from initiating the buying process to types of bid solicitations.

CAS relies on the TB Contracting Policy to help guide its procurement and contracting activities. The policy framework underlying procurement and contracting functions related to the procurement and contracting process and roles and responsibilities specific to CAS has not been developed. A set of documents outlining the procurement and contracting process and roles and responsibilities, including a Contracting Guide and contract management presentation intended for training purposes, were drafted but never implemented.

We observed that procurement and contracting training for CAS management has not been provided since 2006 and that standard tools and enablers for performing procurement and contracting functions within CAS were lacking. The lack of a suite of procurement and contracting tools and enablers may affect the efficiency of the procurement process. Insufficient training may also lead to inconsistent practices across the organization.

In addition, we observed that CMMS staff training was insufficient. For instance, most of the training that CMMS employees have received in the past two years related to new PWGSC procurement tools including TBIPS, SBIPS, PASS, THS, TSPS, etc.

Recommendation:

2. The Director General, Finance and Contracting Services, should develop a training program and guidance documents targeting staff who perform procurement and contracting functions.

Management Response and Action Plan

Agree – The DG, Finance and Contracting Services, will ensure that procurement employees and other employees involved in the procurement process are provided with the training they need to perform procurement by March 31, 2014.

3.2.3. Contracting and Materiel Management Job Descriptions

In the absence of regular training, we would expect job descriptions and reference material to contain sufficient detail to help guide responsibility center management through procurement and contracting activities.

Job descriptions for the Director, Contracting and Materiel Management Section, the Manager, Materiel Management, and the Manager, Contracting, were provided and included roles and responsibilities as they pertain to procurement and purchasing. The following areas for improvement were identified:

- The job descriptions for the Manager, Materiel Management, and the Manager, Contracting, are not current and precede the creation of CAS;
- The job description for the Manager, Materiel Management, does not reflect the existing reporting structure. The job description predates the creation of CAS and indicates that this position reports to the Chief Administrator; however, the current CAS organizational chart indicates that the position reports to the Director, Contracting and Materiel Management Section.
- Job descriptions do not identify the importance of values and ethics such as declaring a conflict of interest, keeping at arm's length from vendors and communication protocols with vendors.

Without current job descriptions, individuals may perform duties which fall outside their responsibilities or which fail to comply with central agency policies. This is especially significant because procurement and contracting training has not been offered since 2006.

In keeping with good practices, it is important to reinforce values and ethics, including declaring any conflict of interest, keeping at arm's length from vendors and vendor communication protocols. Lack of reinforcement may result in legal and reputation risks for the organization.

Recommendation:

3. The Director General, Finance and Contracting Services, should:
 - a. Update the job description of the Manager, Materiel Management, and the Manager, Contracting, to reflect existing reporting lines; and
 - b. Ensure job descriptions include, as good practices, the recognition of the importance of values and ethics.

Management Response and Action Plan

Agree – The DG, Finance and Contracting Services, will review and update job descriptions by December 31, 2013.

3.2.4. Monitoring and Quality Assurance

The CRC reviews contracts above \$5,000, as well as amendments, and submits recommendations to the responsibility center manager and contracting authority on procurement matters. Contracts below \$5,000, contracts established through call-ups to standing offers or supply arrangements using PWGSC procurement vehicles are not reviewed by the CRC.

In addition to the CRC review, the Director, Contracting and Material Management Section, reviews the contract file prior to the CRC review. The review consists of completing a checklist to help ensure compliance with delegated authorities and to verify that appropriate documentation is contained in the contract file. Prior to the contract being signed by the contracting authority, the CRC must review and recommend the contract for approval. A briefing note is prepared and attached to the contract indicating relevant contract information and the procurement type. The following observations were made:

- In two (2) instances, the contract files did not include evidence of CRC review (e.g., email, meeting minutes and briefing note) to demonstrate that CRC exercised oversight and a challenge function.
- In three (3) instances, the files had quality assurance checklists; however these checklists were not signed by the Director, Contracting and Materiel Management Section.
- In two (2) instances, the briefing notes provided to the contracting authority did not indicate the correct method of procurement.

Without quality assurance measures operating as intended, in some cases, the contract files may not meet internal or central agency requirements. In addition, inaccurate briefing notes mislead the contracting authority, as the briefing note is relied upon as reference prior to any contract being signed. While compensating controls exist through the involvement of senior management in many steps of the procurement process, thus reducing the negative impact of the weaknesses observed, this situation points to inefficiencies in the procurement process.

While CAS has implemented numerous control activities in its contracting process, it is lacking a roll-up report on contracting activities. Such a report could detail the number of competitive and non-competitive contracts and report on key issues identified by CMMS and the CRC. If such a report was presented to senior management every quarter or semi-annually, the contracting process could be streamlined even further as senior management would be informed in due time and could play a proactive oversight role.

Recommendation:

4. The Director General, Finance and Contracting Services, should reinforce the quality standards and ensure that:
 - a. Contract files which require CRC oversight are reviewed;
 - b. Quality assurance checklists are completed and signed by the individual performing the review;
 - c. Briefing notes accurately capture the type of procurement undertaken (e.g., sole source, competitive); and
 - d. A roll-up report on contracting activities be developed and presented to senior management on a regular basis.

Management Response and Action Plan

Agree – The DG, Finance and Contracting Services, will reinforce quality standards by December 31, 2013.

3.2.5. Process efficiency

In 2007, following the removal of contract approval authority from most individuals within CAS, additional measures were established to help ensure that proper due diligence was conducted prior to contracts being signed. The additional measures consist of:

- A detailed briefing note is included for each contract prior to approval.
- The responsibility center manager and contracting officer sign the contract prior to contract approval.
- A routing slip must be completed prior to the contract being signed. The routing slip requires initials from:
 - Chair of the CRC
 - Representative from Finance
 - Responsibility Center Manager
 - Contracting Authority
 - Contracting Officer
 - Contract Approval Authority

Our audit observed some redundancies and inefficiencies throughout the procurement process. With only three (3) individuals within the organization who have delegated contracting authority above \$5,000, the routing slip will at times, delay the contracting process.

We also observed redundancies in signatories. The same individuals are required to sign the internal routing slip, briefing note and contract prior to the contracting authority sign-off. Each of these signatures occurs at different phases of the procurement process which creates, at times, a lengthy procurement process. Such redundancies could be alleviated by implementing a roll-up report, as presented in the previous section.

The absence of service standards by the CMMS is also not conducive to an efficient procurement process. The inability to procure goods and services in a timely manner may result in:

- Significant changes to project plans established by the responsibility center managers;
- Increased contract amendments due to overlapping fiscal years; and

- Lapsed funds if contracts and delivery of goods or services are not delivered prior to fiscal year-end.

Recommendation:

5. The Chief Administrator should consider:

- a. The reinstatement of contract approval authority in accordance with the Delegation of Contract Approval Authority or modifying restrictions currently in place;

The Director General, Finance and Contracting Services, should:

- b. Review and revise, where applicable, redundancies throughout the procurement process; and
- c. Establish service standards within the CMMS to enable performance measurement, specifically in the area of efficiency.

Management Response and Action Plan

Agree – The Chief Administrator will consider the reinstatement of contract approval authority or modifying restrictions currently in place, while the DG, Finance and Contracting Services, will review the procurement process in an effort to streamline and simplify the process and ensure the establishment of service standards by December 31, 2013.

3.3. Internal Controls

3.3.1. Contract File Review

Contract files were provided in a timely manner, were generally well organized and contained all contracts and contract amendments that were selected for testing.

A competitive process would constitute either a solicitation of proposals or quotes, or call-ups to standing offers or supply arrangements using PWGSC procurement vehicles. Our audit procedures assessed whether the process and controls were in place when the bids were solicited, and whether the contract files contained sufficient documentation to support the solicitation process. We noted minor weaknesses in documentation such as:

- In one (1) instance, quotes were not maintained in the contract file.
- In one (1) instance, there was no documentation that three (3) out of a four (4) member evaluation team reviewed the proposals;
- In three (3) instances, there were no excerpts from the standing offer to justify prices and financial limitations from subsequent orders; and
- In four (4) instances, the contract file did not include verification that individuals proposed had the appropriate level of security clearance prior to contract award.

The lack of documentation did not result in non-compliance or internal control deficiencies.

Recommendation:

6. The Director General, Finance and Contracting Services, should develop standards for the content of contract files and verify that these standards are applied.

Management Response and Action Plan

Agree – The DG, Finance and Contracting Services, will review documents and revise standards accordingly by March 31, 2014.

3.3.2. Financial Delegation

The delegated authorities involved in awarding and managing contracts are derived from the FAA and detailed in the financial delegation instrument. These authorities include, expenditure initiation, certification that appropriations are available (FAA section 32) and contract approval (FAA section 41).

Although there were no deficiencies in applying the delegation under expenditure initiation (purchase request), section 32 (certification that appropriations are available) and section 41 (contract approval), we observed that section 32 occurred either on the day prior to or the day of the approval (signature by the CAS contracting authority). This practice could result in funds not being available after a lengthy proposal process has been undertaken, and could lead to potential reputation risk given that vendors are responding to proposals whereas funds may not be available.

The results of our file review indicated two (2) instances where services were rendered prior to the contract being signed. One instance related to an urgent situation for which a verbal authorization was obtained from the Chief Administrator. However, the process for obtaining such authority was not sufficiently documented and the evidence not suitably demonstrated. Purchasing goods or rendering services prior to a contract being signed may result in additional financial and/or reputation risk to the organization should funds not be available or should disagreements arise between CAS and the vendor with respect to expectations.

Recommendation:

7. The Director General, Finance and Contracting Services, should:
 - a. Ensure that section 32 of the FAA is signed prior to the procurement process being undertaken; and
 - b. Reinforce the importance of not engaging in services prior to a contract being signed. In urgent situations, the Chief Administrator's approval should be obtained and properly documented in the contract file.

Management Response and Action Plan

Agree – The DG, Finance and Contracting Services, will review the timing of the FAA section 32 approval and remind personnel not to start work prior to the contract being approved. For urgent situations, the Chief Administrator's approval will be documented properly in the contract file. This will be implemented by March 31, 2014.

APPENDIX A – AUDIT CRITERIA

Audit Criteria –1.0 Governance

1.1	Procurement and contracting roles and responsibilities are clearly defined, understood and documented.
1.2	Monitoring and quality assurance practices are adequate and efficient to ensure compliance with Treasury Board policies and practices.
1.2.1	The contract details are reviewed by the designated individual/committee in accordance with CAS Policy.

Audit Criteria – 2.0 Internal Controls

2.1	Solicitation activities comply with TB's Contracting Policy and CAS internal directives and procedures. All exceptions are documented and supported by applicable regulations.
2.1.1	Appropriate approvals are obtained in accordance with the FAA and TB Policy on Contracting, and supporting evidence is maintained for all approvals.
2.2	Contracts are awarded within the approval limits set forth in the financial delegation of authorities and prior to services being rendered.

APPENDIX B – CONTRACT AND AUDIT SAMPLING SELECTION SUMMARY**Contracts, April 1, 2011 – June 30, 2012⁸**

Category	Population		Audit Sample			
	Contracts	Population Value (\$ '000's)	Audit Sample (#)	Audit Sample (% of Population)	Audit Sample Value (\$ '000's)	Audit Sample (% of Pop Value)
Competitive <\$25,000	7	\$91	1	14%	\$25	27%
Competitive \$25,000 - \$200,000	16	\$1,119	2	13%	\$207	18%
Competitive \$200,000+	5	\$2,079	3	60%	\$1,288	62%
Non-competitive <\$25,000	85	\$927	4	5%	\$103	11%
Non-competitive >\$25,000	4	\$282	4	100%	\$282	100%
Purchase Orders <\$5,000	856	\$743	1	0.1%	\$4	0.5%
Purchase Orders >\$5,000	54	\$615	5	9%	\$85	14%
Standing Offers <\$5,000	618	\$515	0	0	0	0
Standing Offers >\$5,000	119	\$9,423	3	3%	\$1,160	12%
Temporary Help <\$25,000	13	\$87	1	8%	\$5	6%
Temporary Help >\$25,000	1	\$71	1	100%	\$71	100%
Total	889	\$15,978	25	3%	\$3,231	20%

Definitions:

Competitive contract: the process used for the solicitation of bids that enhances access, competition and fairness, and assures that a reasonable and representative number of suppliers is given an opportunity to bid (e.g., MERX, PASS, RFQ, etc.)

Non-competitive contract: any contract for which bids were not solicited or, if bids were solicited, the conditions of a competitive contract were not met.

Standing Offer: an offer from a potential supplier to supply goods, services or both, on the pricing basis and under the terms and conditions stated in the standing offer arranged through PWGSC.

Purchase Order: Non-competitive requisitions used for purchases of goods and services, up to a maximum of \$25,000.

⁸Sample selection provided by Contracting and Materiel Management Section