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Final Report

2012-710

Review of the Management of the Real Property Business and Systems Transformation Project and NOVUS Solution

June 13, 2013

Office of Audit and Evaluation

TABLE OF CONTENTS

MAIN POINTS

What we examined

i. As a common service provider for the Government of Canada, Public Works and Government Services Canada (PWGSC) plays an important role in the Government's daily operations, enabling other government departments and agencies to provide their programs and services to Canadians. The Real Property Branch is the government's real property centre of expertise. They manage one of the largest and most diverse portfolios of real estate in Canada, and provide federal departments and organizations with affordable work environments and a full range of real property services.

ii. The Real Property Business and Systems Transformation (RPBST) Project is a multi-year transformation initiative developed to procure and implement industry-standard real estate business processes supported by a fully integrated information technology solution. It is designed to improve how PWGSC's Real Property Branch manages and administers real property of the federal government. [*]

iii. The project's objectives were to: improve decision-making capability through access to timely, integrated, thorough and accurate information; reduce the cost to operate and maintain supporting systems; improve the core processes of portfolio management, project management, and related general business; and increase efficiency through a PWGSC single instance of SAP.

iv. The review was conducted to determine whether an effective management framework for the RPBST Project and NOVUS Solution is in place to satisfy all stated project requirements and produce deliverables on time and within budget. The review team examined RPBST Project activities covering the period from September 2007 to October 2012. We also looked at documents outside the project timeline to obtain an understanding of the background and events leading up to the initiation of the project.

Why it is important

v. The need to modernize the management of PWGSC's extensive real property holdings was triggered by the following two challenges whose impacts became increasingly significant and evident over the past decade: 1) the lack of adequate and timely information, and 2) the need to realize efficiencies. The first challenge stemmed primarily from a lack of integration and standardization in business processes and supporting systems, resulting in inefficient business practices and inaccurate information to support decision making. The second challenge has been a long standing concern in public and private corporate real estate organizations.

vi. The RPBST Project was one of PWGSC's key responses to addressing the fundamental challenges of lack of adequate and timely information and the need to realize efficiencies. The RPBST Project aims to provide the Real Property Branch

with a common information management platform to enable an effective performance measurement regime for managing multiple contractors, and informing multiple clients. It should also assist Real Property Branch in its transition to a service management organization that leverages the private sector to deliver services on behalf of the Government of Canada. Overall, the RPBST Project is a key enabler in delivering the desired business outcomes of increased efficiency, service quality, data integrity, client satisfaction and decreased costs in the delivery of Real Property Branch's mandate. The new RPBST Project system is called NOVUS.

vii. NOVUS was one of the 24 large IT-enabled projects subjected to Treasury Board Secretariat's Chief Information Officer Branch oversight and needed to submit a copy of the monthly executive project dashboard used to brief departmental senior executives. [*]

What we found

viii. Overall, we found that the RPBST Project had a management framework in place which generally satisfied all stated project requirements to help ensure deliverables will be on time and on budget; however a few concerns were noted.

ix. We found that a project oversight structure was in place and the oversight committees had defined and documented mandates and objectives. Assigned roles and responsibilities were established for committee members, however, due to the inconsistent attendance of senior management at these meetings, the roles of committee members were not consistently fulfilled. Attendance and participation at committee meetings need to be consistent and in accordance with the members' roles and responsibilities to enable broad oversight that will assist in ensuring issues are sufficiently discussed and addressed, and decisions are made in accordance with strategic direction.

x. We found a detailed and documented change management plan and strategy which took into account key stakeholders, management and impacted employees. Change management however, was not regularly discussed at oversight meetings and status updates have not been provided. We were informed that since the project is now in its Implementation Phase, change management will be discussed regularly at the Project Steering Committee meetings.

xi. [*] The project's revised timeline and budget varied over the project life but as of June 2010, the timeline and budget appears to have stabilized.

xii. In early 2012, the project scope was reduced [*]. Despite this scope reduction, the Department will continue to meet the Office of the Auditor General's Spring 2009 recommendation that PWGSC's systems be able to consistently demonstrate that it is completing mandated maintenance as required. The response to the 2009 audit was to develop the Asset Integrity Procedure which requires the existing Real Property

Management System to issue automated notices for mandated maintenance of PWGSC managed buildings and to track quarterly audits of completion of these work activities. For Alternate Forms of Delivery managed buildings, the provider uses its own automated system for mandated maintenance, and performance data is then transferred to the Real Property Management System. The Real Property Management System will continue to be supported until such time as its functionality is migrated to NOVUS. Semi-annual monitoring of contractors' success in delivering maintenance activities in compliance with PWGSC's Facility Maintenance Policy and Guidelines will continue with the existing processes and systems.

Management Response

Management has had the opportunity to review the Chief Audit and Evaluation Executive's report, and agrees with the conclusions and recommendations found therein. Management also developed a Management Action Plan to address these recommendations.

PWGSC maintains a strong governance framework to provide oversight and direction-setting. Key elements of this framework are monthly reporting to the PWGSC Deputy Minister, an interdepartmental/central agency project steering committee and a senior Executive Sponsor, the Assistant Deputy Minister of Real Property Branch. [*]

Recommendations and Management Action Plan

Recommendation 1: The Assistant Deputy Minister, Real Property Branch should ensure that participation and contribution by the Project Steering Committee members is encouraged and fostered.

> **Management Action Plan 1.1:** Review the terms of reference and committee membership and update the membership as required to ensure regular attendance at the Steering Committee.

Recommendation 2: The Assistant Deputy Minister, Real Property Branch should ensure that the change management activities are reported and monitored on a regular basis.

> **Management Action Plan 2.1:** Provide a briefing on change management at every Project Steering Committee meeting from now until close out. This briefing will provide an update on actions taken versus actions planned in the project change management plan for implementation phase.

INTRODUCTION

1. As a common service provider for the Government of Canada, Public Works and Government Services Canada (PWGSC) plays an important role in the Government's daily operations, enabling other government departments and agencies to provide their programs and services to Canadians. The Real Property Branch is the government's real property centre of expertise. They manage one of the largest and most diverse portfolios of real estate in Canada, and provide federal departments and organizations with affordable, productive work environments and a full range of real property.

2. The Real Property Business and Systems Transformation (RPBST) Project is a multi-year transformation initiative designed to procure and implement industry-standard real estate business processes supported by a fully integrated information technology solution. [*]

3. The RPBST Project is the current phase of a course of action that started in the 1990s. In 1999, a Business Information Taskforce was created to develop an IT solution to support the real property processes of the Branch. At this time, the Real Property Branch had 12 legacy systems which had overlapping, but not integrated, functionality across the core business functions.

4. In 2001, under Project Horizon, a Request for Information was issued to solicit input on IT products to support a real property function for the Government of Canada. It was determined that the industry could not deliver on the real property function requirements and as such the Real Property Branch had to do further work to understand the features, functions and capabilities it needed.

5. In its 2002 Report on the Acquisition of Office Space, the Office of the Auditor General recommended improvements to PWGSC's real property information systems stating: "PWGSC needs to strengthen both the integrity and availability of information to support the management of the acquisition of office space".

6. In 2004, a new business model was developed by Real Property Branch in which the operating vision for the transformed real property services was described. This vision stated that RPB would be a modern corporate real estate organization that employs best practice to provide value to the government and clients.

7. In 2006, the Office of the Auditor General reported that the Department had not fully addressed the previous 2002 observations on strengthening the integrity and availability of information to support the management of the acquisition of office space.

8. [*]

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9. The business case for the project included cost savings accrued through the reduced operating costs of the RPBST system as opposed to the legacy systems it would be replacing. Several other benefits were also expected to occur such as increased reliability and integrity of the information systems used by Real Property personnel, and improved efficiency through having all the required information available from one system.

10. The project's objectives were to: improve decision-making capability through access to timely, integrated, thorough and accurate information; reduce the cost to operate and maintain supporting systems; improve the core processes of portfolio management, project management, and related general business; and increase efficiency through a single data entry point.

11. The project was a key component of Real Property Branch's response to the recommendations made by the Office of the Auditor General in its 2002 and 2006 reports. The improvement of data integrity and availability of information would be accomplished through the use of a single system for data input and retrieval which would be accessible to all Real Property personnel.

12. The RPBST project was designed to take place in two phases (definition and implementation). The objective of the Definition Phase was to confirm project costs and assess current business processes. This phase also resulted in the development of a number of strategies, and plans for change management, data conversion, system changes, and implementation plans. A proof of concept solution was built and validated by business stakeholders and other federal real property custodians, and a user pilot was conducted using SAP to execute the leasing process and demonstrate the ability of the software to meet Real Property Branch's requirements. Substantive estimates for the Implementation Phase were developed and collectively reviewed through a multiple stakeholder peer review process to ensure organizational support during the Definition Phase. The objective of the Implementation Phase was to build, test and activate the new RPBST system called NOVUS. NOVUS was one of the 24 large IT-enabled projects across the federal government subjected to Treasury Board Secretariat's Chief Information Officer Branch oversight and needed to submit a copy of the monthly executive project dashboard used to brief departmental senior executives. [*]

13. In November 2007, the RPBST Project issued a second Request for Information to confirm if Real Property Branch's requirements could be met by industry. Responses indicated that the requirements were achievable. At this time, the project began its Definition Phase and project management processes were developed and the existing processes were documented.

14. In December 2008, the Acquisitions Branch prepared and sent out a Request for Proposal for a vendor to provide an Integrated Workplace Management System based on the information received by the Acquisitions Branch subsequent to the Request for

Information. Although the Acquisitions Branch had a reasonable expectation that three or four bids would be submitted, seven bids were received. The posting period was open from December 2008 to April 2009; and the bid evaluation process took place from May to December 2009; and the results of the Request for Proposal were finalized in January 2010.

15. At the completion of the bidding process in January 2010, the bid evaluation team determined that there was an ambiguity in a pricing clause and to ensure a fair, open, and transparent process, Acquisitions Branch decided to re-tender the Request for Proposal. As a result, the original Request for Proposal was cancelled in February 2010.

16. [*]

17. [*] In this same month, a new Request for Proposal was prepared with improvements designed to correct the pricing clause that had previously caused problems as well as reduce the evaluation time required. Bids were subsequently received and evaluated, [*].

18. In March 2011, a contract was awarded to the successful contractor, Accenture. Accenture's mandate was to develop a proof-of-concept to demonstrate conformance with Real Property Branch's requirements, establish implementation strategies and approaches, and define substantive estimates [*].

19. Up to January 2012, the RPBST Project team had been planning to implement an enhanced solution covering Portfolio Management, Project Management, Maintenance Management, Facilities Management and General Business functions. However, in early 2012 subsequent to the development of a substantive estimate by Accenture, [*].

20. The option to increase the budget to acquire this solution was presented to the Project Steering Committee who approved the request. However, after consulting with the Chief Information Officer of Treasury Board Secretariat the Department decided not to request a budget increase. To meet the available funding, the scope of the project has been narrowed to a "Core Process solution", focused on Portfolio Management, Project Management and General Business Processes. Legacy systems will continue to be relied upon for those business process areas removed from scope (Maintenance Management and Facilities Management) until Real Property Branch's strategic direction on property management and IM/IT requirements of Alternative Forms of Delivery service providers are known.

21. The RPSBT project is expected to meet the majority of Real Property Branch's requirements. At its completion, the goal of the project is to provide the Real Property Branch with industry standard business processes, improved and integrated workplace management information, and support for the Branch in the delivery of

services to clients. We were informed by Real Property Branch that despite the reduction in project scope, the Department will continue to meet the Office of the Auditor General's Spring 2009 recommendation. The response to the 2009 audit was to develop the Asset Integrity Procedure which required the existing Real Property Management System to issue automated notices for mandated maintenance of PWGSC managed buildings and to track quarterly audits of completion of these work activities. For Alternative Forms of Delivery managed buildings, the service provider uses its own automated system for mandated maintenance and quarterly quality monitoring evaluations; and the performance data is then transferred to the Real Property Management System. The Real Property Management System will continue to be supported until such a time as its functionality is migrated to NOVUS. In addition, other government departments' and Parliamentary Precinct Branch's maintenance management will continue to be supported by the Real Property Management System until such time as an alternative replacement can be identified.

22. The Definition Phase of the project was completed in June 2012. [*] The Implementation Phase began in July 2012 and according to the RPBST team, is scheduled to be completed by January 2014. The official project delivery date is April 2014.

Exhibit 1
Summary of the Project Timeline, Scope and Budget

Date	Scope/ Objective	Budget	Comments
2007 to February 2010	Develop a system to replace a number of existing legacy systems used by Real Property Branch. Expected results include cost savings due to reduced operating costs, increased reliability and integrity of information, and improved efficiency and decision making by users of the system.	[*]	- [*] - This was to be addressed by making the solution available to other government departments through contract options in the procurement. - December 2008: Request for Proposal sent out to industry for a vendor to provide an 'Integrated Workplace Management System' (named NOVUS by Real Property Branch). - February 2010: First Request for Proposal is cancelled.
June 2010 to February 2011	The same business improvements are expected [*]. The legacy systems	[*]	- [*] A new Request for Proposal was sent to industry. - [*] - Accenture was awarded a contract to define the NOVUS

Date	Scope/ Objective	Budget	Comments
	would be replaced specifically in the following areas: - Portfolio Management - Project Management - Facilities Management - Maintenance Management - General Business functions.		solution, complete its preliminary development and outline a change management plan.
January 2012 to July 2012	The project is expected to provide the same business benefits as in the initial case with regards to improved information and efficiency. The legacy systems would be replaced specifically in the following areas: - Portfolio Management - Project Management - General Business functions.	[*]	- As part of the Definition Phase work, Accenture prepared a cost estimate for the capabilities Real Property Branch expected NOVUS to have, which indicated that cost to complete the Implementation Phase would be $73 million (for a total project cost of $108 million), as opposed to the expected $40 million (for a total cost of the planned $75 million). - After consultation with Treasury Board Secretariat, a decision was made to not seek additional funds and the project scope was reduced. - Maintenance Management and Facilities Management functionality were removed from the project's scope (existing legacy systems will be relied on). - [*]

FOCUS OF THE REVIEW

23. The objective of this review is to determine whether an effective management framework for the Real Property Business and Systems Transformation Project and NOVUS Solution is in place to satisfy all stated project requirements and produce deliverables on time and within budget.

24. This project was initiated as an audit; however, during the planning phase the OAE identified that a reasonable management framework was in place. At this point, the OAE modified this engagement to a review.

25. An audit provides a high, though not absolute, level of assurance by designing procedures so that the risk of an inappropriate conclusion being drawn based on the audit procedures performed is reduced to a low level through procedures such as inspection, observation, inquiry, confirmation, recalculation, re-performance and analytical procedures. A review provides a moderate level of assurance by designing procedures so that the risk of an inappropriate conclusion being drawn based on the review procedures being performed is reduced to a moderate level through procedures that are normally limited to inquiry, analytical procedures and discussion. Such risk is reduced to a moderate level when the evidence obtained enables us to conclude that the subject matter is plausible in the circumstances.

26. The focus of the review was on the lifecycle of the RPBST Project starting from September 2007 to October 2012. However, we reviewed documentation starting from 2002 to 2007 in order to obtain background and related information about the project.

27. More information on the review objective, scope, approach and criteria can be found in the section "About the Review".

STATEMENT OF CONFORMANCE

28. The review conforms with the Internal Auditing Standards for the Government of Canada, as supported by the results of the quality assurance and improvement program.

29. Effective and appropriate review procedures have been conducted and evidence gathered to support the accuracy of the findings and conclusions in this report and to provide a moderate level of assurance. The findings and conclusions are based on a comparison of the conditions, as they existed at the time, against pre-established review criteria that were agreed upon with management. The findings and conclusions are only applicable to the entity examined and for the scope and time period covered by the review.

OBSERVATIONS

GOVERANCE AND STRATEGIC DIRECTION

30. Governance is the combination of processes and structures implemented by management to inform, direct, manage and monitor the activities of the Department to promote the achievement of effective strategic direction and the delivery of results.

31. An effective governance structure ensures that there is adequate oversight over the RPBST Project and that the project's objectives are linked to the strategic direction of Real Property Branch, PWGSC and the Government of Canada.

An effective governance structure was in place but roles of committee members not consistently fulfilled

32. We expected to find a governance structure which included oversight committees which had clearly defined, documented and communicated mandates. The mandates would outline the roles and responsibilities of the members. In addition, the RPBST Project would have objectives that are aligned to the strategic direction and objectives of the Real Property Branch and PWGSC. Furthermore, we expected the committee members to regularly attend meetings. Regular attendance would indicate that the members are fully engaged and available to provide leadership and oversight over the project.

33. We found that there were two oversight committees, and both had defined and documented mandates which included the roles and responsibilities of its members. These committees were the RPBST Project Steering Committee, and the Business Advisory Committee. In addition, briefings to the Deputy Minister on the RPBST Project are scheduled monthly, and proceed at the discretion of the Deputy Minister.

34. The roles and responsibilities of the Project Steering Committee are documented and outlined in the RPBST Project Charter as well as the Terms of Reference document. The Committee is responsible for advising the Deputy Minister of PWGSC and providing oversight and direction to the project. It is chaired by the Assistant Deputy Minister, Real Property Branch and co-chaired by the Chief Information Officer, Information Technology Services Branch. Other members include the Chief Financial Officer, Finance Branch, and Assistant Deputy Minister, Acquisitions Branch, Assistant Deputy Minister, Corporate Services, Policy, and Communications Branch. The Regional Directors General for the Atlantic and Quebec regions are also members of the committee along with external members including senior management from Canada Revenue Agency, Treasury Board Secretariat, and National Defence. Minutes and records of decision of each meeting were prepared.

35. The roles and responsibilities of the Business Advisory Committee is documented and outlined in its Terms of Reference document. The committee is responsible for leadership and direction regarding the Real Property business processes, as well as identifying subject matter experts to assist the RPBST Project team in redesigning relevant processes if and when required. The Director General, Special Initiatives Sector is the Project Leader, and the chair of the committee. The committee is composed of a number of Directors General from across Real Property as well as the Regional Director General, Quebec Region.

36. We found that since the project's inception, meetings were held regularly. In 2012, from January to September, there were 5 Project Steering Committee meetings. Minutes were prepared for the oversight committees meetings but they do not register the details of the discussions so we are unable to comment on the challenge function of the committee. Weekly and monthly status reports were prepared and presented at Project Steering Committee meetings. These reports included the project timeline and budget compared to the plan, as well as any significant risks or issues that arose. [*] In 2012, the July and September reports to the Project Steering Committee showed all key indicators as low risk.

37. Oversight was also provided through the Project Leader, who the Senior Project Director reported to. The Project Leader was responsible for briefing the Assistant Deputy Minister, Real Property Branch. In addition, the Project Leader was responsible for ensuring that stakeholder consultation takes place, and that project issues were raised to the Project Steering Committee, as required. Further oversight was provided by monthly briefings to the Deputy Minister regarding the RPBST Project, at the discretion of the Deputy Minister. These briefings normally included a representation of Assistant Deputy Minister level managers, and their respective Directors General. Many of the managers attending the Deputy Minister briefings were members of the Project Steering Committee, and it was indicated that some chose to attend only the briefings and send a substitute to the Project Steering Committee meetings.

38. The fact that all key indicators illustrated the project as having low risk was a cause of concern for some stakeholders. Senior management in Finance Branch believed that due to the unpredictable nature and history of large information projects, a more conservative estimate of risk would be appropriate. This would ensure that risks which have the potential to significantly impact the project's budget or timeline receive appropriate scrutiny through oversight processes such as the Project Steering Committee's review of the project's status.

39. An example of the above concern came up in July 2012, related to using Accenture resources in India to complete a portion of the project's deliverables. While this would have resulted in cost savings to the project, there were security implications related to this choice. After consultation with appropriate authorities in PWGSC, project management came to the conclusion that the work would have to be

completed using Canadian resources. This decision resulted in a potential increase in project costs of $3.8 million which will come from a contingency amount of $7.9 million that the project had from the Definition Phase. Since $3.8 million is less than 10% of the project total, according to the Guide to Executive Project Dashboards for IT Enabled Projects, from the Treasury Board Secretariat, it is acceptable to rate this risk as low. This issue was reviewed by the Project Steering Committee, and raised to the Deputy Minister for consideration. Nevertheless, this is a significant dollar value increase in the project's cost, and in these situations, Finance Branch believed that a higher risk categorization would be more appropriate due the inherent high risk nature of large information technology projects in general.

40. In March 2011, the Assistant Deputy Minister, Real Property Branch's responsibility for Real Property IM/IT, which included the RPBST Project, was delegated to the Associate Assistant Deputy Minister, Real Property Branch. From this point on, the Associate Assistant Deputy Minister chaired the Project Steering Committee meetings, and attended the Deputy Minister briefings. The Associate Assistant Deputy Minister became the chair of the Project Steering Committee.

41. We found that the project documentation was not updated to reflect the changes to the Project Steering Committee. The Terms of Reference for the committee indicated that the Assistant Deputy Minister, Real Property Branch was the chair and the Associate Assistant Deputy Minister, Real Property Branch was the vice-chair.

42. We identified that regular attendance of committee members of the Project Steering Committee meetings was lacking in certain instances. The Associate Assistant Deputy Minister and co-chair attended the Project Steering Committee meetings regularly, however a lack of attendance by other core members was identified, and replacements were not always sent in the place of core members unable to attend.

43. As a result of the attendance issue, there may be inadequate oversight of the project and the project's status may not be appropriately challenged, and risks and issues which could impact the projects budget and timeline may not be dealt with in a timely manner.

44. The July 2012 Project Steering Committee meeting minutes noted that the new chair of the Committee and project sponsor was the Executive Director General Operations, Real Property Branch. This member had originally been an active committee member representing the Quebec Region. The committee's mandate was not updated to show this change.

45. Based on our findings, the RPBST Project had an effective governance structure in place with defined and documented roles, responsibilities and accountabilities. However, there are issues with lack of attendance to the Project Steering Committee meetings by members. While the committee has a number of members, and in many cases a substitute was sent in the place of a core member who could not attend, full

attendance of the committee would improve the committee's effectiveness. The committee members would have the functional and corporate knowledge and experience to look at all possible issues when taking part in discussions and making decisions. Lack of attendance by these members reduces the ability of the committee to appropriately challenge project status reports and provide input into major decisions for the project.

The RPBST Project was in line with PWGSC's Strategic Direction

46. We expected that the RPBST Project's objectives would be in line with organizational objectives.

47. We found that the RPBST Project Brief and the Real Property Strategic Plan detailed the strategic direction link between the project plan and that of PWGSC and the Government of Canada. The RPBST Project was identified in the Integrated Business Plan for Real Property Branch (2011/12) as part of their objective to incorporate best practices within their organization.

48. The project was also linked to the Real Property Modernization initiative which was a planning highlight in the 2011/12 PWGSC Report on Plans and Priorities. The initiative focused on adopting industry best practice and making operations more efficient.

49. We were told that the RPBST management team took current government wide initiatives into consideration in the Definition and Implementation Phases of the NOVUS system. As a result of the Deficit Reduction Action Plan and attrition, the team reduced the number of required NOVUS system licenses as the expected number of users was reduced. The original number of licenses was approximately 3,300 but it was reduced to 2,200.

50. Based on our findings, the RPBST Project was designed to be linked to PWGSC's and Real property Branch's strategic directions. This would ensure that the project team and employees are working towards common goals.

Change Management processes exist but should be regularly monitored

51. Change management is a structured approach to transitioning from a current state to a desired future state. It is an organizational process aimed at helping change stakeholders accept and embrace changes in their business environment.

52. We expected the project to have a defined, documented and communicated change management strategy and plan. We also expected that status reports would be regularly presented to the Project Steering Committee, and the plan and activities would be updated and monitored as the project progressed.

53. We found that there was a Change Management and Communications Strategy and Plan for the Implementation Phase which outlined an approach to manage change and communications, and which identified all resource and scheduling implications for change management and communications. The detailed activities planned included activities that one would expect of a project. Items included discussions with senior management, general communications (i.e. emails, newsletters, poster), road shows (i.e. conferences), manager's toolkit and meetings with groups. It was a comprehensive plan which considered key stakeholders. The targeted audience for the above mentioned activities were the Directors General, Directors and Managers of the impacted areas of business, subject matter experts, impacted end users, Finance Branch, Labour Relations and employee bargaining units (unions).

54. Although change management activities such as a dedicated project website on the Departmental Intranet, Branch Communiqués, overview and stakeholder specific presentations, participation at conferences and handouts have already started, we noted that change management is not a regular item on the Project Steering Committee's meeting agenda. In 2012, change management was only discussed once at the Project Steering Committee on September 6, 2012. At that meeting, a list of Engagement and Communications activities and a detailed Implementation Phase Roadmap from July 2012 to post go-live after January 2014 was presented. The project team told us that now that the project is in the Implementation Phase, change management will be discussed more frequently.

55. Based on our analysis, the RPBST project's Change Management Plan covers all important aspects of the NOVUS implementation, however regular updates on change management activities should be provided to the oversight committees to ensure that it is monitored and updated as the project progresses. A successful change management is important to ensure that Real Property Branch employees who are expected to use the new system are prepared leading up to and at the "go-live" date.

RESULTS AND PERFORMANCE

56. Formal monitoring and reporting should link performance indicators to a project's objectives. Timely reporting provides management with an opportunity to identify areas of improvement or where corrective action is necessary.

57. We expected to find that management had identified effective performance measures linked to planned project results, and that actual performance compared to planned results was monitored by the project's management. We also expected that this information would be reported to the Project Steering Committee.

Project status and results were measured, monitored and reported

58. We found that the RPBST Project created a Schedule Management Plan which required that work plans be created against which performance was measured. The project team prepared weekly and monthly status reports which contained information that compared current progress and costs compared to the project forecast, as well as provided explanations for variances. These reports also included significant risks and issues identified by the Risk Management Board along with their associated management plan. The Risk Management Board consisted of members working on the RPBST Project.

59. The Senior Project Director along with his management team used key deadlines for work that should be completed as performance measures for the project. The project team met on a regular basis to discuss project deadlines and review what work was completed relative to their work plan.

60. The weekly and monthly reports created by the project team managers were reviewed by project management. The monthly reports were presented and reviewed at the Project Steering Committee meetings. The minutes of the Project Steering Committee meetings indicated that the monthly reports were being reviewed, with significant issues and variances discussed. NOVUS was one of the 24 large government of Canada IT-enabled projects subjected to Treasury Board Secretariat's Chief Information Officer Branch oversight and needed to submit a copy of the monthly executive project dashboard used to brief departmental senior executives. The Treasury Board Secretariat's Chief Information Officer Branch monitors project management performance and governance [*].

61. Once NOVUS is implemented a Project Close Out Phase will commence which will assess the project's performance against its objectives and requirements, as required by the National Project Management System– IT enabled. The National Project Management System is a project management system designed by Real Property Branch which the RPBST Project adheres to. Since the Implementation Phase started in July 2012, we were unable to assess this phase.

62. Based on our findings, the RPBST Project's status and results were measured, monitored and reported to the oversight committee on a regular basis. This is important to help ensure that the projects remains on track and within the allocated time and budget.

The RPBST Project's timeline and budget varied significantly over the life of the project but have stabilized since June 2010

63. [*]

64. In November 2007, a Request for Information was sent out to industry by Acquisitions Branch. A favourable response to the request led to a Request for Proposal being released in December 2008. The Request for Proposal attracted more

bids than expected which resulted in a lengthy evaluation period which ended in December 2009. After the bids were evaluated, it was discovered that one supplier had misinterpreted a pricing clause which allowed them to submit a compliant bid with an understated cost. However, once the number of licenses required passed a certain amount, the costs would greatly increase. The problem was that if the bid was not chosen then a complaint could be lodged with the Canadian International Trade Tribunal and may have been successful.

65. [*], the Acquisitions Branch decided that the request for proposal should be re-tendered following amendments to the pricing clause. The original Request for Proposal was cancelled in February 2010.

66. [*]

67. In June 2010, a new Request for Proposal was released by the Acquisitions Branch for the Definition and Implementation Phases which resulted in a contract being awarded to Accenture in March 2011. Accenture's bid was [*] less than the amount the project's management had budgeted for. This amount was kept in the Implementation Phase budget and would be used by RPBST management to deal with any contingencies such as those described in paragraph 39.

68. In December 2011, after Accenture completed the detailed costing for the project's Implementation Phase, as part of the Definition Phase work, they found that some costs had not been considered or had been underestimated in the revised Preliminary Project Approval estimate. The revised estimated cost to complete the Implementation Phase with its current functionality would be approximately $73 million as opposed to $40 million stated the approved budget.

69. In January 2012, when this was realized, the Senior Project Director informed the Project Steering Committee so that a decision could be made as to whether to request the additional amount in the Effective Project Approval submission or to decrease the project's scope to allow it to be implemented within the current budget. The Project Steering Committee approved requesting additional funding. However, after consulting with the Chief Information Officer Branch of the Treasury Board Secretariat, the Department decided that no formal request to increase the project's budget would be made to Treasury Board.

70. As a result, the Project Steering Committee and RPBST project management decided to stay with the approved budget and reduce the project's scope. After analysis of available options, the Maintenance Management and Facilities Management (occupant moves, adds, changes within buildings) function and processes were removed from the project's scope. The reason for the removal was that Corporate Services and Strategic Policy Branch, not Real Property Branch, performed this function within PWGSC. The system that supported this function is a Commercial Off-The-Shelf (COTS) application that was operating at an acceptable level. [*]

71. At the time of the RPBST project scope analysis, there was some uncertainty as to exactly where the Department would be going in the future with these initiatives. The functions were removed from the project's scope and, once a decision is made as to the future of these areas, a business case could be prepared if necessary to add them to the NOVUS system. Due to the necessity of interaction with third party systems, there were some difficulties as to how this interaction could be standardized through NOVUS without giving the current service providers an unfair advantage in future bids for further work. The current design of NOVUS allows these functions to be added to the current system if that direction is chosen by Real Property in the future.

72. It is unclear whether the current Maintenance Management legacy system and its interactions with suppliers provides sufficient information to meet the May 2009 Office of the Auditor General's recommendation that PWGSC should "strengthen its systems and practices so that it can consistently demonstrate that it is completing mandated maintenance as required". As Real Property Branch's decision regarding Alternate Forms of Delivery would impact who provides the maintenance on buildings and how the information is collected, further investigation regarding the legacy system removed from the scope of the RPBST Project would have to be completed.

73. In July 2012, the project team presented the Project Steering Committee with a cost benefit analysis of a continuous improvement project which would deal with the items not included in the RPBST Project. RPBST management was directed to create a business plan that will allow for the NOVUS out of scope functionality to be added by 2015. This indicated that the committee is actively working to address the above concerns, and reduce the impact of removing these functions from the current project scope.

74. The Definition Phase of the project concluded in June 2012 [*]. The Implementation Phase is on schedule to be completed in January 2014.

75. The Definition Phase was completed $7.9 million under budget. [*] of the savings resulted from Accenture's bid being less than budgeted. However, we were told that this money is expected to be spent during the Implementation Phase of the project.

76. Although the project's budget and timelines have increased since the Definition Phase, based on our findings, it appears that the project has stabilised since June 2010 and the project team is working towards meeting the new timelines and budget.

RISK MANAGEMENT

The RPBST Project had an effective strategy in place to manage risk, but could be strengthened

77. Proper risk management would ensure that management identifies, mitigates and monitors the risks that may preclude the RPBST Project from achieving its objectives. Without knowing risks, management decision-making could be lacking important information and project objectives may not be achieved.

78. We expected to find a defined and documented risk management process which included the identification, assessment, mitigation activities and monitoring of risks.

79. We found that the project developed a Risk and Issue Management Plan which outlines the roles, responsibilities, steps and templates that described the risks and issues management processes that would be used. There was also a Risk Management Board, composed of senior RPBST project management including the Senior Project Director, which was responsible for dealing with any risks identified. We also found that the RPBST Team had an updated risk register that included items such as the risk, the owner and mitigation strategies.

80. A risk log was created in a database accessible by the project team called ClearQuest. Project managers identified, inputted, assessed, and updated risks, and their mitigation strategies. Risks were assigned to an owner, and management of the risk was monitored by the Risk Management Board.

81. The Risk Management Board, comprised of Directors responsible for various areas of the RPBST project, met regularly to discuss risks with a high or moderate likelihood of occurring, or that have a high or moderate impact. The results of mitigation strategies were also discussed and risks that were no longer relevant to the project are closed in the ClearQuest database.

82. We found that information about key risks and their mitigation strategies were included in the monthly reports which were presented to the Project Steering Committee. These risk were discussed at the Project Steering Committee meetings and actions decided on. While the project status reports presented to the committee indicated low risks to the project, the minutes of the Project Steering Committee indicated that the Committee still performed a challenge function on risks which could significantly affect the project's cost. The Committee requested more information from the project management team regarding risks such as the previously discussed off-shore development risk, and monitored the management of those risks. These same risks were communicated to the Treasury Board Secretariat through the dashboard monthly status reports.

83. The Committee's ability to challenge the risk ratings and risk management actions taken by the RPBST project's management is dependent upon the knowledge and experience of its members. The previously mentioned attendance concerns may limit the ability of the Committee to perform its challenge function.

84. Based on our findings, the project has effective processes in place to manage risks, however these processes could be strengthened through improved attendance at the Project Steering Committee. This would ensure that effective oversight and monitoring of the RPBST Project's risks takes place. RPBST Project management ensured risks were documented in the risk log and were assessed, monitored and mitigation strategies developed. High impact risks were reported to the governance committees and the Treasury Board Secretariat.

STEWARDSHIP

Overall effective project controls are in place but could be strengthened

85. Controls related to assets, money, people and services should be defined, implemented and communicated to staff to ensure that the goals of the project are understood and achieved.

86. We expected to find defined and documented detailed budgets, plans, and activities to be monitored, with variances explained through a timely reporting structure. The project should follow National Project Management System - IT Enabled (Real Property Branch's project management guidelines) compliance, agreements with contractors should be monitored for both quality and timeliness, and controls within the system should be considered.

87. We found detailed costing was prepared by Accenture for the Implementation Phase based on the 'Full' version (version before scope reduction), as well as the 'Core' version of NOVUS. Estimates have also been created for the amount of effort required for implementation with regards to days of labour and full time employees.

88. We found that a budget was prepared which allocated costs to train Real Property Branch employees on the NOVUS system. The RPBST Project is responsible for the design, development, test, and delivery of the training. The training estimates are based on providing Real Property users with sufficient training to use NOVUS at the "go-live" date.

89. An independent review of the budget estimates was conducted by Gartner Consulting who found that the cost estimates were generally reasonable compared to other companies with similar projects.

90. The budget was monitored by the project directors and managers on a regular basis. The Project Steering Committee monitored the forecasts during their review of the project status reports presented by the RPBST Senior Project Director. Samples of the monthly and weekly status reports indicate that risks and issues as well as budget variances were analyzed and explained. The minutes of the Project Steering

Committee indicated that variances in timelines and budget and the associated explanations were discussed.

91. The project's management monitored the work completed related to the contract awarded to Accenture. The Quality Management Plan included processes to manage third party contracts. Management of the contract with Accenture included creating due dates for deliverables from third party contractors, as well as keeping track of when the deliverables were actually received. Work completed passed through both peer review as well as a number of system and technical tests for programming deliverables, to ensure that they could achieve their required purposes.

92. The Finance Management Plan designated responsibility for compliance with financial policies and monitoring requirements. The Change Control Management Plan indicated the roles and process required to make changes to the NOVUS Solution. This plan contained steps that had to be taken to ensure any changes to the project and key decisions were documented and a history of changes to the project was created. The approval limits and delegation followed PWGSC's policies, and all changes were approved by the Senior Project Director, and escalated when required. The Director General, Special Initiatives sector, as the Project Leader, would brief the ADM, Real Property Branch in advance of any major changes to the project, and the Steering Committee was advised through the status reports, approvals were attained when necessary.

93. The RPBST Project did not have its own Disaster Recovery or a Business Continuity Plan. We were told that should the need arise, the project will use the SIGMA Disaster Recovery Plan and the Real Property Business Continuity Plan. Since NOVUS is on the same platform as SIGMA and as these plans already exist and are in use, it is appropriate for NOVUS to use these plans.

94. Based on our findings, the project had overall effective controls over financial and non-financial resources, but improvement could be made. The lack of attendance by some of the core members of the Project Steering Committees weakens the effectiveness of monitoring controls. Although no specific Disaster Recovery or a Continuity Plans exist for NOVUS, the residual risk is low because NOVUS will be on the same platform as SIGMA, and SIGMA Disaster Recovery plans were already defined and in use.

ACCOUNTABILITY

The RPBST Project assigned and communicated responsibility for results

95. Responsibilities for results should be clearly assigned and communicated so that employees know what is expected and there is a common project goal.

96. We expected to find defined and documented details about an employee's responsibilities. These responsibilities should be communicated to the employee responsible for each task.

97. The RPBST Project created over 15 plans (Change Control Plan, Reporting Management Plan, Risk and Issue Management Plan, etc) which clearly indicated roles, responsibilities, and accountabilities. These plans which were located in a central database called E-DRM and were readily available to the project team members.

98. An orientation package was prepared by the RPBST Project team for new team members. This package outlined information about the project and also indicated where information could be found. In addition, we were told that updates were given during meetings and briefings, particularly if there were any changes to a plan.

99. There were several areas in PWGSC that supported the project. Memoranda of Understanding and Service Agreements which outline when and what resources would be provided, each party's responsibilities, and the related costs that exist with various sectors of Information Technology Services Branch and Acquisitions Branch. A Memoranda of Understanding with Finance Branch was signed on February 21, 2013 for the fiscal year 2012/13. A second Memoranda of Understanding with Finance Branch for the 2013/14 fiscal year is being drafted and is expected to be approved in the April/ May 2013 timeframe.

100. Based on our findings, roles and responsibilities were defined, documented and communicated to the employees. Detailed plans, relevant documents and an orientation package for new team members were accessible to RPBST Project members.

PEOPLE

Human Resource planning and training plans exist

101. Ensuring that the RPBST is properly staffed with qualified workers is important to ensure that project goals are achieved. In addition, training and awareness activities are important to ensure that employees who will use the new system have the requisite knowledge and skills to perform their functions.

102. We expected to find a detailed plan outlining the resource requirements to take the RPBST Project to completion. We also expected a detailed training plan outlining the training that would be given to employees using the new system.

103. We found that the estimated human resource requirements, which include what areas of the project requires staffing and the number of full time employees, were outlined

in the Implementation Phase Project Schedule. The minutes from the Project Steering Committee meetings indicated that human resource issues such as key positions not being staffed were brought to the Committee's attention.

104. The Resource Management Plan for Implementation Phase which was supposed to outline the process to ensure that the appropriate resources were made available to the RPBST Project at the appropriate times, did not contain any details of staff requirements and action plans. However, in March 2012, a resource plan was developed detailing human resource requirements such as number and levels required, plus duration they will be needed and their cost to the project.

105. The Human Resources Transition Plan and the Integrated Training Plan detailed the types of training employees who occupy various roles in Real Property would require to meet their responsibilities. The plan was that individual employees would take training courses only for the functions they perform personally.

106. The RPBST Project was responsible for and plans to deliver training for users of NOVUS. This training would be delivered to users in the months before the "go-live" date so that all Real Property personnel would be able to use the NOVUS system on implementation. The RPBST Project was responsible for the design, development, testing and delivery of training on the NOVUS system for implementation.

107. In order to promote the project, a website was created on the Real Property Branch site which gave current information about the project. There was a dedicated email address to contact the project team, and a contact area on the RPBST Project website. Other channels for feedback included the National NOVUS Network and a forum on GCForums.

108. Based on our findings, the RPBST Project had effective human resources planning for the project as detailed plans have been developed for the Implementation Phase. Training plans have been documented and financial resources have been allocated to train employees.   The RPBST Project website was available for all PWGSC employees to get information, to provide feedback and to contact the project team.

CONCLUSION

109. The RPBST Project had a management framework in place which generally satisfied stated project requirement to help ensure deliverables will be on time and on budget; however a few concerns were noted. Although an effective governance structure existed, and the roles and responsibilities of the oversight committee members were clearly defined, there was an attendance issue at the Project Steering Committee meetings. Committees members did not regularly attend meetings and alternatives were not sent.   The inconsistent attendance at the Project Steering Committee meetings could hinder issues being effectively discussed and addressed, with regards

to the overall strategic direction of the project. In addition, inconsistent attendance could result in committee members not being fully aware of risks and issues which have the potential to increase the project's costs, and result in delays or non-compliance with project requirements.

110. We found that the project started in 2007 but there were many delays encountered. These delays included scope changes in the Definition Phase and retendering of the Request for Proposal. In July 2012, the project began its Implementation Phase and based on the revised timeline and budget, it appears to have stabilized.

111. We found that a change management plan and strategy existed and that change activities are underway. Although a roadmap exists detailing these activities, regular status updates were not provided to the oversight committees. It is important that change management plans are monitored and updated as the project progresses. Given that the project is commencing the Implementation Phase, we were told that the project team plans to be more active with their change management activities.

112. In early 2012, there was a concern regarding the impact that the project scope reduction would have on the Department's ability to continue to meet the Office of the Auditor General's Spring 2009 recommendation regarding PWGSC's systems being able to consistently demonstrate that it is completing mandated maintenance as required.

113. However, we were informed by Real Property Branch that the Department will continue to meet the Office of the Auditor General's Spring 2009 recommendation mentioned above. The response to the 2009 audit was to develop the Asset Integrity Procedure which requires the existing Real Property Management System, to issue automated notices for mandated maintenance of PWGSC managed buildings and to track quarterly audits of completion of these work activities. For Alternate Forms of Delivery managed buildings, the provider uses its own automated system for mandated maintenance and quarterly quality monitoring evaluations and the performance data is then transferred to the Real Property Management System. The Real Property Management System will continue to be supported until such time as its functionality is either migrated to NOVUS, or managed by another system other than SAP. Semi-annual monitoring will continue with the existing processes and systems. In addition, other government departments' and Parliamentary Precinct Branch's maintenance management will continue to be supported by the Real Property Management System until such time as an alternative replacement can be identified.

MANAGEMENT RESPONSE

Management has had the opportunity to review the Chief Audit and Evaluation Executive's report, and agrees with the conclusions and recommendations found therein.

Management also developed a Management Action Plan to address these recommendations.

PWGSC maintains a strong governance framework to provide oversight and direction-setting. Key elements of this framework are monthly reporting to the PWGSC Deputy Minister, an interdepartmental/central agency project steering committee and a senior Executive Sponsor, the Assistant Deputy Minister of Real Property Branch. [*]

RECOMMENDATIONS AND MANAGEMENT ACTION PLAN

Recommendation 1: The Assistant Deputy Minister, Real Property Branch should ensure that participation and contribution by the Project Steering Committee members is encouraged and fostered.

> **Management Action Plan 1.1:** Review the terms of reference and committee membership and update the membership as required to ensure regular attendance at the Steering Committee.

Recommendation 2: The Assistant Deputy Minister, Real Property Branch should ensure that the change management activities are reported and monitored on a regular basis.

> **Management Action Plan 2.1:** Provide a briefing on change management at every Project Steering Committee meeting from now until close out. This briefing will provide an update on actions taken versus actions planned in the project change management plan for implementation phase.

ABOUT THE REVIEW

Authority

This review was recommended for approval by the Audit and Evaluation Committee of Public Works and Government Services Canada as part of the Multi-Year Risk-Based Audit and Evaluation Plan.

Objective

The objective of this review was to determine whether an effective management framework for the Real Property Business and Systems Transformation Project and NOVUS Solution is in place to satisfy all stated project requirements and produce deliverables on time and within budget.

Scope and Approach

This project was initiated as an audit; however, during the planning phase the OAE identified that a reasonable management framework was in place. At this point, the OAE modified this engagement to a review.

An audit provides a high, though not absolute, level of assurance by designing procedures so that the risk of an inappropriate conclusion being drawn based on the audit procedures performed is reduced to a low level through procedures such as inspection, observation, inquiry, confirmation, recalculation, re-performance and analytical procedures. A review provides a moderate level of assurance by designing procedures so that the risk of an inappropriate conclusion being drawn based on the review procedures being performed is reduced to a moderate level through procedures that are normally limited to inquiry, analytical procedures and discussion. Such risk is reduced to a moderate level when the evidence obtained enables us to conclude that the subject matter is plausible in the circumstances.

The review work was conducted from April 2012 to October 2012. However, we examined documentation starting from 2002 to October 2012 in order to obtain background and related information about the project.

This review focused on relevant procedures, processes and practices related to the RPBST project. It also focused on the management of the RPBST Project and NOVUS Solution, specifically as it relates to the six Management Accountability Elements chosen as criteria.

This review conforms with the Internal Auditing Standards for the Government of Canada, as supported by the results of the quality assurance and improvement program.

Interviews were conducted with key personnel from the RPBST Project, Financial Operations, SIGMA and Business Transformation. Relevant processes and documentation were examined and tested. Based on analysis of the information and evidence collected, the review team prepared review findings and conclusions, which were validated with project management.

Criteria

The following review criteria were reviewed and accepted by Real Property Branch.

Review criteria were developed for each of the six elements of the Management Accountability Framework relevant to the RPBST Project. These elements were chosen because they were the most relevant in the context of project management.

- **Governance and Strategic Directions:** The RPBST Project has an effective governance framework in place, which indicates roles, responsibilities and accountabilities, as well as provides leadership and strategic direction in line

with PWGSC initiatives. Change Management processes and controls exist to directly support the achievement of the project's objectives.

- **Results and Performance**: The RPBST Project has key elements in place to effectively measure, monitor and report on the performance of its activities. Performance includes adherence to deadlines and budgets.

- **Risk Management**: The RPBST Project has effective processes in place to manage risk, including documentation of risks, their assessment, mitigation and monitoring strategies, and reports to stakeholders on the risks and results of the strategies used.

- **Stewardship**: The RPBST Project has effective controls over financial and non-financial resources, and these controls are clearly communicated to internal and external stakeholders.

- **Accountability**: The RPBST Project has assigned and effectively communicated responsibility for results.

- **People**: The RPBST Project has effective planning and timely allocation of human resources to ensure delivery of the project and the achievement of objectives. In addition, the Department provides meaningful training and awareness activities to ensure that Real Property Branch staff has the requisite knowledge and skills to perform their functions.

Review Work Completed

The review fieldwork was substantially completed on October 18, 2012.

Review Team

The review was conducted by members of the Office of Audit and Evaluation, overseen by the Director, Procurement Audit and under the overall direction of the Chief Audit and Evaluation Executive.

The engagement was reviewed by the quality assessment function of the Office of Audit and Evaluation.