



Final Report

2012-712

Follow-up Review of the Implementation of Alternative Forms of Delivery Management Action Plans by Corporate Services and Strategic Policy Branch

September 12, 2013

Office of Audit and Evaluation



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MAIN POINTS

What we examined

- i. Public Works and Government Services Canada (PWGSC), as the government's real property centre of expertise, manages one of the largest and most diverse portfolios of real estate in Canada. In over 700 PWGSC-managed facilities, services ranging from cleaning and the operation of building systems to maintenance, landscaping and repair projects, are presently delivered through eight Alternative Forms of Delivery (AFD) contracts.
- ii. The eight contracts were structured to allow tenants to deal directly with the AFD Service Provider for projects under \$40,000 (tenant direct projects). This type of service is ordered, approved, and paid for under the delegated authorities of each tenant. At PWGSC, tenant services are managed by the Corporate Services and Strategic Policy Branch (CSSPB/the Branch) on behalf of the Department.
- iii. In May 2010, the Office of Audit and Evaluation initiated the Review of CSSPB Monitoring Controls of the AFD Program (2010-802). In March 2010, in response to media scrutiny of certain AFD expenditures which had been approved by CSSPB, the Minister of Public Works and Government Services requested an independent third-party audit be conducted (2010-715). Both the internal review and the third-party audit resulted in recommendations for the Department for which CSSPB was identified as the office of primary interest. The Branch subsequently developed management action plans to address the concerns raised in both the internal review and the third-party audit.
- iv. The current follow-up review examined whether CSSPB had sufficiently implemented the management action plans resulting from the internal review and third-party audit.

Why it is important

- v. CSSPB coordinates PWGSC's physical space, in conjunction with the employees occupying the space and the work being performed. In the National Capital Area, the Branch has the additional responsibility of implementing accommodations projects on behalf of the Department. In fulfilling this function, the Branch requests tenant direct project delivery services from the AFD Service Provider. Consequently, appropriate processes and controls are required for the accounting and reporting of tenant direct expenditure transactions by the AFD Service Provider to the Department.
- vi. The previous internal review identified weaknesses in CSSPB's monitoring controls over expenditures incurred by the AFD Service Provider initiated by CSSPB. The third-party audit also concluded that, for one of the seven CSSPB transactions

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reviewed, the sub-contractor costs were not calculated in accordance with the relevant AFD contract.

- vii. The two engagements directed five recommendations at PWGSC relating to activities for which CSSPB is responsible. The recommendations were intended to ensure that PWGSC could demonstrate proper financial stewardship in Corporate Services transactions, and to hold the Service Provider to account for its expenditures on behalf of the Department.
- viii. Without effective contract administration controls, the Department cannot demonstrate that it is discharging its accountabilities for the sound stewardship of public funds. This is especially true in the context of the previous internal review and third-party audit, which noted gaps in the contract administration controls. Effective contract administration controls enable the Department to manage risks inherent to the outsourcing of activities to private sector contractors (billing risks, service quality risks, reputational risks, etc.).
- ix. It is thus important for the Department to ensure that management action plans, committed to by CSSPB, have been implemented as described, and that the underlying risks identified in the associated recommendations have been addressed.

What we found

- x. The review found that some of the management action plans committed to by CSSPB had been implemented as described, and as a result, the related risks had been mitigated. However, some of the corrective actions were not implemented as described and there was no evidence to suggest that previously identified risks had been mitigated. As the Department will likely continue to rely on AFD-type service delivery models, there is a need for additional strengthening of these controls within CSSPB moving forward.
- xi. Of the five management action plans included in this review, we found that two had been implemented as described, and were reasonable in terms of addressing the related risks. One of these stemmed from the third-party audit (2010-715 Audit [Consisting of Specified Forensic Audit Procedures] of Expenditures Under the SNC-Lavalin O&M Contracts), and the other from the internal review (2010-802 Review of the Corporate Services and Strategic Policy Branch Monitoring Controls of the AFD Program). For a third management action, action had been taken, but this action does not result in mitigation of the risk identified by the previous internal review. The remaining two management actions from the internal review were not implemented as described, and have not mitigated the previously identified risks.

Management Response

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

Recommendations and Management Action Plan

Recommendation 1: The Assistant Deputy Minister, Corporate Services and Strategic Policy Branch should, in consultation with the Alternative Forms of Delivery Sector of Real Property Branch, ensure that Corporate Accommodation staff are provided with the necessary training and guidance to confirm accurate billing and payment for projects which the Alternative Forms of Delivery Service Provider delivers on behalf of Corporate Accommodation. These improvements may also be applied to project work which the Directorate requests from other service providers. (Moderate Priority)

Management Action Plan 1.1: In consultation with RPB and the Alternative Forms of Delivery Service Provider, CSSPB to develop guidelines for the ongoing use of the AFD contract for tenant service projects in the National Capital Region.

The guidelines, to be reviewed annually to ensure alignment with the RPB guidelines, will clearly define roles and responsibilities and will be used to provide Corporate Accommodation staff with training and guidance to keep abreast of, and apply contract changes and amendments to administration and fees over the course of the AFD contract.

The guidelines will also include and define a project quality assurance process covering the following:

- Tenant Services and Tenant Direct Projects
- Quality Assurance sampling including error detection and resolution
- Project approvals
- Project changes and fees
- Project billing
- SIGMA (SAP) reports
- Dispute resolution
- Validation of project/financial information

Management Action Plan 1.2: The Director, Corporate Accommodation will hold a special staff meeting to present the guidelines to his staff.

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Management Action Plan 1.3 : The Director, Corporate Accommodation will provide appropriate training to new employees and annual refresher training to existing staff as required.

Recommendation 2: The Assistant Deputy Minister, Corporate Services and Strategic Policy Branch should institute a project quality assurance function within Corporate Accommodation, so that the Directorate is able to identify and correct errors in: 1) project approvals; 2) project changes; or, 3) project billing, and that any related data recorded in project / financial information systems is subsequently validated by Corporate Services and Strategic Policy Branch in coordination with Real Property Branch, as required. Identification of these errors when they occur will allow the Branch to identify any systemic weaknesses in Corporate Accommodation processes, and drive continuous improvement. (Moderate Priority)

Management Action Plan 2.1: The Director, Corporate Accommodation will implement a semi-annual sampling of AFD Project Files.

Management Action Plan 2.2: The Director, Corporate Accommodation will establish ongoing semi-annual status meetings with the AFD Service Provider to:

- Obtain updates (i.e. rate changes)
- Discuss sampling results
- Discuss and resolve issues

INTRODUCTION

1. The authority for the conduct of this engagement comes from the 2012-2017 Risk-Based Audit and Evaluation Plan which was recommended for approval by the Audit and Evaluation Committee and approved by the Deputy Minister of Public Works and Government Services Canada (PWGSC).
2. In 1996, PWGSC undertook the “Alternative Forms of Delivery” (AFD) initiative. A key element of the initiative was to contract out the management and operations of PWGSC’s portfolio of buildings, including services ranging from cleaning and the operation of building systems to maintenance, landscaping and repair projects. In over 700 PWGSC-managed facilities, these services are presently delivered through eight AFD contracts.
3. The current AFD contracts were awarded in 2005 for a four-year duration with three option periods of two years each. All option years in the contract have been exercised, which extends the contract to March 2015. The total contract authority was originally approved at \$5.4 billion, but was increased in March 2009 via a funding request to \$5.91 billion to allow for Economic Action Plan projects (2009-2011).
4. Broadly speaking the AFD contracts cover three functions:
 1. Property Management Services;
 2. Optional Services, including commercial and retail lettings and Project Delivery Services between \$200K and \$1M; and
 3. Project Delivery Services, including tenant services and tenant direct projects.
5. The first two functions are managed solely by the Department’s Real Property Branch. These services relate to the Department’s role as federal custodian of buildings, and include costs related to utilities, operating expenses, repair, and recapitalization, and revenue from commercial and retail lettings. The third function, Project Delivery Services, can be managed by either Real Property Branch for projects over \$40K, or the tenant for projects under \$40K. Management of these projects relates to the services a department receives as a tenant of PWGSC-managed facilities.
6. The eight AFD contracts were structured to allow tenants to deal directly with the AFD Service Provider for small projects under \$40K (tenant direct projects). This type of service is ordered, approved, and paid for under the delegated authorities of each tenant. At PWGSC, this function is managed by the Corporate Accommodation directorate of Corporate Services and Strategic Policy Branch (CSSPB). As of March 15, 2013, the 2012-2013 year-to-date volume of work managed by the AFD Service Provider on behalf of CSSPB was approximately \$500K of a total business volume of

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approximately \$4.5 million. The AFD Service Provider's expenditures on behalf of CSSPB create risks related to the Department's stewardship of public funds, as well as its requirement to be able to demonstrate value for money.

7. The risks related to tenant direct projects (expenditure transactions < \$40K), under the AFD contracts, led to a review of this activity being added to the 2009-2014 Risk-Based Audit and Evaluation Plan. In May 2010, the Office of Audit and Evaluation initiated the Review of CSSPB Monitoring Controls of the AFD Program (2010-802).
8. In March 2010, in response to media scrutiny of certain AFD expenditures, the Minister of Public Works and Government Services requested an independent third-party audit be conducted (2010-715). In December 2010, as a result of the nature of the third-party audit, the Department decided to put the internal review in abeyance, and allow for the conclusion of the third-party audit. Based on the preliminary findings of its review, the Office of Audit and Evaluation directed four recommendations at CSSPB by way of a management letter. Additionally, the third-party audit resulted in numerous recommendations directed at the Department, one of which related to an activity for which CSSPB was responsible. The Branch subsequently developed management action plans to address the concerns raised in both the internal review and the third-party audit.
9. The previous assurance work also included recommendations for the Department's Real Property Branch. Similar to CSSPB, Real Property Branch also developed management action plans to address the identified issues. As the two sets of management action plans are linked, and their implementation has been conducted concurrently, a review of Real Property Branch's implementation has been conducted simultaneously with the current review of CSSPB.

FOCUS OF THE REVIEW

10. The objective of this review was to determine whether CSSPB had sufficiently implemented the management action plans relating to the recommendations resulting from the internal review (2010-802) and third-party audit (2010-715) concerning financial transactions (expenses) submitted by the AFD Service Provider.
11. The period covered by the review was from March 2010 to February 2013, and included any actions taken in response to the findings and observations from the engagements noted above.
12. The approach consisted of assessing the status of implementation of the management action plans developed by CSSPB in response to the recommendations of the internal review (2010-802) and third-party audit (2010-715), as well as establishing whether management actions had addressed the issues that led to the recommendations.

13. More information on the review objective, scope, approach and criteria can be found in the section “About the Review” at the end of the Report.

STATEMENT OF CONFORMANCE

14. 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.
15. Sufficient 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 review 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 on 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

AUDIT (CONSISTING OF SPECIFIED FORENSIC AUDIT PROCEDURES) OF EXPENDITURES UNDER THE SNC-LAVALIN O&M CONTRACTS (2010-715)

The review of extra cleaning services and recovery settlement were conducted appropriately

16. The third-party audit recommended that PWGSC conduct a review of all of its files for any other additional cleaning services that the AFD Service Provider may have provided under any of the contracts. The recommendation was the result of the third-party auditor having concluded that costs related to certain extra cleaning services were unreasonable. The third-party audit also found that project delivery fees had been charged on these extra cleaning services though, according to the contract, cleaning is a property management service. The AFD contract allows the Service Provider to charge a fee for project delivery services, but requires that property management services be billed without mark-up. As such, the fees were found to be unsupported per the AFD contracts.
17. PWGSC is responsible for ensuring that it obtains value for money in its projects, and that it can demonstrate sound stewardship of public funds. As such, it is imperative that the Department be able to confirm that it has been invoiced accurately and paid appropriately for the services it receives under the AFD contracts. In its management action plan, the Department identified CSSPB as responsible for conducting a

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thorough review of the cost calculation related to extra cleaning services transactions in the Minister and Deputy Minister's Offices.

18. We expected that the CSSPB would have conducted the review of its files for any other extra cleaning services that the AFD Service Provider may have conducted under the contracts. We also expected that any variances identified would have been resolved.
19. We found that the Branch was able to demonstrate that the services related to extra cleaning were reviewed for reasonability as described in the approved management action plan. Also, the Branch was able to demonstrate that a settlement between PWGSC and the AFD Service Provider was reached, related to the unreasonable costs for extra cleaning identified by the audit.
20. Further, we found that this management action had been subject to significant review by senior PWGSC Management prior to it being presented to PWGSC's Audit and Evaluation Committee. Additionally, as part of the related review of Real Property Branch's implementation of AFD management action plans, we found that the risks related to project delivery fees had been addressed by Real Property Branch. Real Property Branch has issued clarification to the AFD service management community that project delivery service fees can no longer be charged on additional cleaning services.
21. As a result, we concluded that the corrective actions in CSSPB's approved management action plan have been implemented as described. Further, when taken together with related corrective measures implemented by Real Property Branch, the actions have addressed the risk relating to the audit finding.

**THE OFFICE OF AUDIT AND EVALUATION REVIEW OF CSSPB
MONITORING CONTROLS OF THE AFD PROGRAM (2010-802)**

Process controls over tenant direct project approval have been improved, but some risks remain unmitigated

22. The *Review of CSSPB Monitoring Controls of the AFD Program (2010-802)* found that there did not always appear to be validation of tenant direct projects to the original approval in tenant service call-ups. This resulted in a risk of projects being initiated by the AFD Service Provider without the required authorization. The review also noted that since project authorization is a key control, it is important to monitor project authorization.
23. The review recommended that, on a quarterly basis, the Branch sample and test a selection of completed projects and trace them back to the tenant service call-up to validate approval of the tenant direct project. The objective was to monitor tenant

direct projects billed by the AFD Service Provider to PWGSC to ensure that they had been approved by CSSPB.

24. The corrective action in response to this recommendation indicated that communication of and adherence to the process to request tenant services in the Department needed to be strengthened in the National Capital Area. It committed CSSPB to updating its tenant services demand framework, and communicating the updated process to Branch Accommodation Coordinators within PWGSC. Further, the management action plan indicated that all requests for tenant services would need to be channelled through appropriate and recognized Branch Accommodation Coordinators.
25. We expected that CSSPB would have implemented and communicated an update to its tenant services demand framework that would have included monitoring of projects delivered by the AFD Service Provider as was recommended. Further, we expected that this monitoring would include validating tenant service call-ups against the original approval. This process would help CSSPB to ensure that any projects delivered by the AFD Service Provider had been appropriately authorized.
26. We found, in response to this recommendation, Corporate Accommodation has updated its tenant services demand framework to require that clients request tenant services through recognized Branch Accommodation Coordinators. In addition, the updated framework has centralized the submission of tenant services requests such that all tenant requests submitted to Corporate Accommodation are now received and processed via a generic tenant service requests e-mail account. Further, the updates to the framework have been developed in conjunction with PWGSC's branches, and the changes have been communicated as required. These changes have resulted in a strengthening of controls over who may initiate tenant service requests on behalf of PWGSC's branches, as well as how tenant service requests are received and processed by Corporate Accommodation.
27. While the update to the tenant services demand framework strengthens requirements for client approvals, it does not include a monitoring element that would allow CSSPB to discharge its accountability for ensuring that only approved projects are undertaken, and therefore does not address the risk of non-compliance with CSSPB approval process for tenant service requests. This was among the risk elements identified by the previous internal review, and provided the foundation for the resulting recommendation. The implemented corrective action taken, is not aligned to this risk element.
28. Our review of the working papers from the previous review indicates that there were two projects examined where the client had bypassed the Corporate Accommodation approval process, and requested project work directly from the AFD Service Provider. If similar bypasses were to occur under the revised framework, they could

remain unknown as the framework does not include a control where completed projects are subject to monitoring, and therefore it cannot be known whether controls related to this risk are effective.

29. As a result, we concluded that while the Branch did update the tenant services demand framework, the update did not address weaknesses related to monitoring of compliance with the Corporate Accommodation approval process. Consequently, the risks associated with the issues previously identified remain unmitigated.

Corrective measures have not been implemented related to project changes

30. The 2010-802 internal review also raised concerns with project changes. It noted that changes to Corporate Accommodation projects were not routinely challenged to assess whether the changes represented a change in scope. The risk the previous review identified was that, without appropriate management of change orders, new projects could be awarded to vendors through existing contracts without being properly competed through the procurement tendering process.
31. The review recommended that the Branch sample and test closed tenant direct projects to assess the rationale of any project changes, as well as any increases or decreases in the value of the tenant direct project. As with the first recommendation, it was suggested that this occur on a quarterly basis, and be conducted on the same sample of closed projects described above. The objective of the recommendation was to ensure appropriate management of project changes.
32. In the approved management action plan, CSSPB committed to review the current contract documentation process with AFD Service Management Coordination, Real Property Branch to develop options to address the request for additional work within an existing contract. The appropriate recommendation would then be adopted.
33. We expected that CSSPB would have engaged AFD Service Management Coordination to conduct the review described in the approved management action plan. Further, we expected that corrective measures that included sample testing would have been adopted based on those consultations.
34. Corporate Accommodation staff informed us that they consulted staff from AFD Service Management Coordination, and that this consultation revealed that process changes to address this risk were deemed too complex to be implemented. However, no minutes or records of decision were produced from the discussion. Further, there is no record of the analysis which concluded these changes were too complex to be implemented, nor is there a record of escalation of the request or additional attempts to engage Real Property Branch, which may have produced a different outcome. In addition, the concurrent *Follow-up Review of the Implementation of AFD Management Action Plans by Real Property Branch* (2012-713) noted that Real

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Property Branch has implemented process changes to better manage change orders within projects under their management (projects over \$40K). The risks addressed by Real Property Branch's actions are similar in nature to the risks identified in the *Review of CSSPB Monitoring Controls of the AFD Program* (2010-802) pertaining to change orders management.

35. Given this understanding of the complexity, Corporate Accommodation elected instead to review its processes and modify some of its project documentation to better manage project changes and achieve the desired result.
36. We found that the project documents we examined were not significantly different from the versions received during the 2010 internal review. For example, the Corporate Accommodation Expenditure Summary Sheet, which is used to record and summarize project expenditures, was updated to separately track telecommunications and security costs, which are billed to the client directly by Shared Services Canada and Corporate Security, respectively. However, it is not clear how this, or the other document changes, could have enhanced controls over change order costs in Corporate Accommodation projects being managed by the AFD Service Provider.
37. In addition, the alternate corrective actions did not include monitoring by Corporate Accommodation through sampling and testing of closed tenant direct projects as was recommended, or any quality assurance or verification of completed project files. As a result, the Directorate has fewer opportunities to identify gaps or weaknesses in its processes for handling project changes.
38. As such, we concluded that the approved management action plan had not been implemented, and that the risks associated with the issues previously identified remain unmitigated.

Billing risks remain unmitigated

39. The 2010-802 internal review also raised concerns regarding the potential for over-billing and under-billing on Corporate Accommodation projects. The review found that Corporate Accommodation's business practices did not include steps to compare total actual costs incurred by the AFD Service Provider to total payments made by CSSPB.
40. Thus, the previous review recommended that the Branch ensure that there were no systemic control weaknesses in its billing processes. Specifically, it recommended that, on a quarterly basis for the same sample of closed tenant direct projects noted above, CSSPB compare the total amounts paid for tenant direct projects to the actual total amounts paid by the AFD Service Provider. The objective of the sampling approach was to help Corporate Accommodation ensure that the amounts being billed to PWGSC by the AFD Service Provider were truly reflective of the costs being

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incurred in the delivery of projects and compliant with the contract's basis of payment provisions for the AFD Service Provider. The recommendation was also directed at allowing CSSPB to detect any systemic weaknesses in Corporate Accommodation's billing processes so as to allow them to be corrected.

41. In response to the recommendation, CSSPB committed to collaborating with AFD Service Management Coordination, Real Property Branch in the quality monitoring of Corporate Accommodation's projects. Such collaboration would help ensure that expenses recorded in the Alternate Forms of Delivery Management System for sub-contractor or supplier charges as part of the billing process agreed with actual costs incurred, and complied with the AFD contract's basis of payment provisions.
42. We expected that the Branch would have collaborated with AFD Service Management Coordination as described in the management action plan. We further expected that this collaboration would have resulted in enhanced monitoring of Corporate Accommodation projects, and that CSSPB would have corrected any identified issues.
43. We found that collaboration in project monitoring between Corporate Accommodation and the AFD Service Management Coordination directorate, did not occur as described in the approved management action plan. We were advised that Corporate Accommodation management reiterated to directorate staff the need to challenge the AFD Service Provider's cost estimates as a means of managing this risk. The Branch produced project documentation which provided an example of tendered project cost estimates being challenged.
44. We were advised that there is no formal guidance material for this challenge activity, such as a documented processes or a project file checklist, which would establish consistent application of this challenge by directorate staff. More importantly, the recommendation was directed at ensuring the AFD Service Provider's administration of billing after the project was completed was being done correctly, rather than challenging project costs quoted by the AFD Service Provider in advance of the project. We received no evidence to suggest that risks of over-billing or under-billing in Corporate Accommodation projects are being mitigated.
45. Documents provided by the Branch indicated that the AFD Service Provider's fees and charges were not being routinely verified by Corporate Accommodation. For example, in one of the three project files provided as documentary evidence, we observed \$860 in commissioning charges on \$4,350 of consultant costs (19.77%). Commissioning guidelines developed by Real Property Branch indicate that commissioning charges should typically be limited to 4%, and justification should be provided for charges exceeding that amount. The project file documentation provided by the Branch did not contain justification for a commissioning rate of almost 20%. Our interviews revealed that Corporate Accommodation staff would benefit from

additional training on how project management labour, project delivery service fees and commissioning charges should be calculated by the AFD Service Provider.

46. As a result of these observations, we concluded that the approved management action plan related to this recommendation had not been implemented. Further, our review suggests that the previously identified risks of over-billing and under-billing of Corporate Accommodation projects remain unmitigated.

CSSPB is able to provide tenant direct project information to the Real Property Branch when needed

47. The final observation pursuant to the 2010-802 internal review was related to reconciliation of information systems. The review noted that there were no activities in place to reconcile the information contained in Real Property Branch's Alternative Forms of Delivery Management System to CSSPB's tenant direct project payment information in SIGMA, the Department's common financial system. The previous review noted that without this information, Real Property Branch staff cannot validate that the payment information in its systems is accurate, valid and complete.
48. As such, the previous internal review called on CSSPB to ensure that tenant direct project information was provided to the Real Property Branch. The objective of this was for the Real Property Branch to be able to ensure that the Alternative Forms of Delivery Management System (AFDMS) project delivery service module was accurate, valid, and complete.
49. In response to the recommendation, the Director of Corporate Accommodation committed to ensuring the accuracy of project data in SIGMA, and to providing SIGMA project listings on a frequency and size to be determined by Real Property Branch's requirement to fulfill its mandate. As such, we expected to find that CSSPB would be able to demonstrate that it now has the means to provide the required information to Real Property Branch, as outlined in the approved management action plan.
50. The review found that CSSPB satisfied the requirement by requesting that Finance Branch develop a SIGMA report detailing tenant direct project information. The report was available for CSSPB to run and provide to the AFD Service Management Coordination directorate upon request. CSSPB indicated that as of January 9, 2013, Real Property Branch has not requested the report. We were advised by CSSPB that they have not engaged AFD Service Management Coordination regarding the use of this report. Analysis of Real Property Branch's actions to obtain tenant direct project payment information and to reconcile such information contained in the Alternative Forms of Delivery Management System formed part of a separate review of Real Property Branch's implementation of management action plans, which was conducted

simultaneously with the current review of CSSPB. The results of that review are reported independently from this review.

51. Overall, we found that CSSPB had implemented the corrective action described in the approved management action plan. However, given that the report has not yet been utilized by Real Property Branch, we were not able to conclude that the underlying risk to the Department has been mitigated.

CONCLUSIONS

52. The review found that two of the five management action plans which CSSPB committed to had been implemented as described and one of these fully mitigated the previously identified risk.
53. For the second of the two, we found that CSSPB had taken the necessary steps to be able to provide tenant direct project information to the Real Property Branch when requested, for Real Property Branch to validate in its information systems. However, even though CSSPB has taken the steps it committed to, we could not conclude that the larger risks related to PWGSC's tenant direct project data had been mitigated, as the report has not yet been used by Real Property Branch.
54. For a third recommendation, which resulted from the 2010-802 internal review, we found that corrective actions had been taken to update the tenant services demand framework, and that these changes had been appropriately communicated. However, we concluded that this corrective action did not address the originally identified risk as the update did not include monitoring to ensure consistent adherence to process.
55. The two remaining action items have not been implemented as described, and do not mitigate the risks targeted by the related internal review recommendations. The first, for CSSPB to ensure that Corporate Accommodation project changes are managed appropriately, has not seen the approved management action plan implemented as originally described. Further, the alternate corrective measures that the Branch has implemented are not aligned to the risks noted in the previous internal review.
56. The second relates to CSSPB ensuring that there are no systemic weaknesses in its billing processes. This corrective action has not been implemented as described in the approved management action plan. Our review of the evidence does not indicate that the AFD Service Provider's charges are being challenged, and there is no monitoring of completed projects as originally recommended.
57. Since the Department has indicated it will be relying on the Alternative Forms of Delivery service model for the foreseeable future, it is important that the Department be able to demonstrate value for money in the AFD contracts and sound stewardship

of public funds. The appropriate financial controls will allow CSSPB to demonstrate this, and ensure that the AFD Service Provider is held to account for projects that it delivers on behalf of the Department, as tenant.

MANAGEMENT RESPONSE

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

Recommendations and Management Action Plan

Recommendation 1: The Assistant Deputy Minister, Corporate Services and Strategic Policy Branch should, in consultation with the Alternative Forms of Delivery Sector of Real Property Branch, ensure that Corporate Accommodation staff are provided with the necessary training and guidance to confirm accurate billing and payment for projects which the Alternative Forms of Delivery Service Provider delivers on behalf of Corporate Accommodation. These improvements may also be applied to project work which the Directorate requests from other service providers. (Moderate Priority)

Management Action Plan 1.1: In consultation with RPB and the Alternative Forms of Delivery Service Provider, CSSPB to develop guidelines for the ongoing use of the AFD contract for tenant service projects in the National Capital Region.

The guidelines, to be reviewed annually to ensure alignment with the RPB guidelines, will clearly define roles and responsibilities and will be used to provide Corporate Accommodation staff with training and guidance to keep abreast of, and apply contract changes and amendments to administration and fees over the course of the AFD contract.

The guidelines will also include and define a project quality assurance process covering the following:

- Tenant Services and Tenant Direct Projects
- Quality Assurance sampling including error detection and resolution
- Project approvals
- Project changes and fees
- Project billing
- SIGMA (SAP) reports
- Dispute resolution
- Validation of project/financial information

Management Action Plan 1.2: The Director, Corporate Accommodation will hold a special staff meeting to present the guidelines to his staff.

Management Action Plan 1.3 : The Director, Corporate Accommodation will provide appropriate training to new employees and annual refresher training to existing staff as required.

Recommendation 2: The Assistant Deputy Minister, Corporate Services and Strategic Policy Branch should institute a project quality assurance function within Corporate Accommodation, so that the Directorate is able to identify and correct errors in: 1) project approvals; 2) project changes; or, 3) project billing, and that any related data recorded in project / financial information systems is subsequently validated by Corporate Services and Strategic Policy Branch in coordination with Real Property Branch, as required. Identification of these errors when they occur will allow the Branch to identify any systemic weaknesses in Corporate Accommodation processes, and drive continuous improvement. (Moderate Priority)

Management Action Plan 2.1: The Director, Corporate Accommodation will implement semi-annual sampling of AFD Project Files.

Management Action Plan 2.2: The Director, Corporate Accommodation will establish ongoing semi-annual status meetings with the AFD Service Provider to:

- Obtain updates (i.e. rate changes)
- Discuss sampling results
- Discuss and resolve issues

ABOUT THE REVIEW

Authority

The authority for the conduct of this engagement comes from the Multi-Year Risk-Based Audit and Evaluation Plan which was recommended for approval by the Audit and Evaluation Committee and approved by the Deputy Minister of Public Works and Government Services Canada.

Objective

This objective of this review was to determine whether the Corporate Services and Strategic Policy Branch (CSSPB) had sufficiently implemented the management action plans relating to the recommendations of the internal review (2010-802) and third-party audit (2010-715) concerning financial transactions (expenses) submitted by the Alternate Forms of Delivery Service (AFD) Provider.

Scope and Approach

This review covered the period from March 2010 to February 2013, and included any actions taken in response to the findings and observations from the engagements noted above.

The scope of this review was to assess the status of implementation of the management action plans developed by CSSPB in response to the Review of the Corporate Services and Strategic Policy Branch Monitoring Controls of the AFD Program (2010-802) and the Audit (consisting of specified forensic audit procedures) of Expenditures under the SNC–Lavalin O&M Contracts (2010-715). The assessment included review level assurance that the actions have addressed the risks identified in the previous engagements. The office of primary interest for this review was the Corporate Services Sector, CSSPB. The office of secondary interest was the AFD Sector, Real Property Branch.

During the examination phase, relevant documentation demonstrating the level of implementation of approved management actions taken in response to recommendations was reviewed and analyzed. In-depth interviews were conducted with senior management and relevant staff within Corporate Accommodation, CSSPB.

Criteria

The criteria used to assess the implementation of AFD management action plans by CSSPB were based on the Chief Audit and Evaluation Executive's responsibility for monitoring and reporting on the status of implementation of management action plans to the Audit and Evaluation Committee.

The criteria were as follows:

- **Status of management action plan implementation:** Management action plans have been implemented as originally specified or subsequently amended and approved.
- **Validation of risks being addressed:** Corrective action implemented as identified in the management action plans appears to have addressed the risks related to the previous findings / observations.

Review Work Completed

Examination work for this review was substantially completed on February 28, 2013.

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