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Final Report

2012-713

Follow-up Review of the Implementation of Alternative Forms of Delivery Management Action Plans by Real Property Branch

November 21, 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. Broadly speaking the AFD contracts cover three functions: property management services, project delivery services, and optional services. The functions which relate to the Department's role as custodian of buildings are managed by the Real Property Branch (RPB/the Branch).
- iii. In December 2009, the Office of Audit and Evaluation (OAE) initiated the Review of Real Property Branch Monitoring Controls of the Alternative Forms of Delivery Program (2009-806). 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 auditor examine these expenditures (2010-715). Additionally, the Minister requested the third-party auditor conduct a broader examination of AFD expenditures (2011-710). Both the third-party audits and internal review resulted in recommendations for the Department for which RPB was identified as the Office of Primary Interest. The Branch subsequently developed management action plans to address the concerns raised in both the third-party audits and the internal review.
- iv. The current follow-up review assessed whether RPB had sufficiently implemented the management action plans resulting from the third-party audits and internal review concerning financial transactions submitted by the AFD Service Provider, and whether the implemented management actions had mitigated the underlying risks.

Why it is important

- v. Real Property Branch is responsible for the administration of the AFD contracts. These contracts are used to deliver services in government buildings across the country, buildings which the Service Provider manages on behalf of PWGSC. In fulfilling this function, the Branch provides oversight of both property management services and project delivery services which the Department receives from the AFD Service Provider. As a result, appropriate processes and activities must be in place for verifying both that the technical aspects of the contract's statement of work are being met, and that the accounting and reporting of expenditure and revenue transactions by the AFD Service Provider to the Department are being done correctly.

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- vi. The previous third-party audits and internal review identified weaknesses in RPB's monitoring controls over expenditures submitted by the AFD Service Provider in its invoicing to the Department. In addition, the internal review identified weaknesses in RPB's monitoring controls over commercial and retail revenues collected by the AFD Service Provider on behalf of the Branch.
- vii. The review and audit engagements resulted in recommendations for PWGSC relating to activities for which RPB is responsible. The recommendations were intended to ensure that PWGSC take appropriate action so that it could demonstrate proper financial stewardship in its management of the AFD contract, and to hold the Service Provider to account for both the expenditures it incurs and the revenues it collects on behalf of the Department.
- viii. Effective contract administration controls allow the Department to demonstrate that it is discharging its accountabilities for the sound stewardship of public funds. This is especially important in the context of the previous third-party audits and internal review, which noted several gaps and weaknesses. Effective controls are necessary for the Department to detect and correct issues such as billing irregularities, incorrect rates, errors and unsupported expenses, identified by the previous assurance work.
- ix. It is therefore important for the Department to ensure that management action plans committed to by RPB have been implemented as described, and that the underlying risks identified in the associated recommendations have been addressed.

What we found

- x. RPB's implementation of management action plans related to AFD service management has seen the Branch implement a large volume of management actions in a relatively short period of time, while still being responsible for the ongoing administration of the contract. We found that RPB has made progress in mitigating many of its financial risks and in improving its contract administration controls, though some key risks remain unmitigated.
- xi. We found that the Branch had fully implemented a significant number of the corrective actions outlined in its management action plans. However, we also found that some of the Branch's key controls will require improvement for the next round of AFD contracts. Specifically, a more integrated and efficient approach will need to be considered for the key controls described below.
- xii. For example, we found that notable efforts have been made to enhance the Branch's monitoring activities. Still, the actions implemented to date, which impact the Branch's Quality Monitoring function, its monthly reviews of project invoicing, as well as its key performance indicators, are not yet sufficiently aligned to the risks

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identified by previous assurance work. This affects RPB's ability to fully mitigate the risks identified by the third-party audits and previous internal review.

- xiii. In addition, the Branch has implemented monthly reconciliation activities, but the activities lack approved procedures, and they are not yet subject to appropriate analysis and follow-up. These gaps in analysis and follow-up limit the extent to which the Branch can be sure the various information systems contain complete and accurate data.
- xiv. We found that the 2008-2009 cost audit was still in progress at the end of our follow-up review. Similarly, the audit approach for future years was still being developed at the conclusion of the review. As a result, the OAE was unable to conclude whether the cost audits had fully addressed the risks related to the previous assurance work. However, the cost audits provide important, supplementary assurance on the accuracy of PWGSC's payments to the Service Provider, and will be an important part of the Department's demonstration of its financial due diligence.
- xv. On an annual basis, the contract requires the Service Provider to submit to an audit of its statement of actual costs. We found that the Branch is not yet making use of the business intelligence produced by its other key control activities to influence the planning and procedures of the annual audit of the Service Provider's statement of costs. In addition, the activity is not always clearly described in some of the Branch's process documents. By establishing a link between various monitoring activities, reconciliation activities, the cost audits, and the annual audit of the Service Provider's statement of costs, RPB will be able to identify higher areas of risk which require further examination.
- xvi. We found that the Branch's annual review and reconciliation to the audited statements of cost was not yet being done against PWGSC's and other government departments' central payment systems for all service types under the contracts. Departments' central payment systems, SIGMA in PWGSC's case, contain the best information available for what the Department has actually paid for services. By conducting the annual reconciliation to the most accurate source of information for all service types (property management services, project delivery services and optional services) and following up on variances in a timely manner, RPB will be able to more conclusively demonstrate that the Service Provider has been accurately paid.
- xvii. With improvements in these areas, RPB will be able to better mitigate its risks related to billing and revenue collection by the AFD Service Provider for the next generation of contracts. These improvements will allow the Branch to demonstrate both that the technical aspects of the contract are being met and that it is discharging its accountabilities related to stewardship of public funds.

Management Response

The Real Property Branch (RPB) is in agreement with the recommendations in this report and will work with the appropriate stakeholders to implement actions in a timely manner.

Over the past three years, the Alternative Forms of Delivery (AFD) program has been audited extensively and the Branch has rigorously addressed the findings of both external forensic audits and internal reviews. The initiative has dealt with the challenge of addressing over 130 management action plan items while managing the day-to-day operations with the AFD Service Provider and responding to other audits, including cost audits and more recently the Office of the Auditor General audit on outsourcing building management services.

Despite the challenges, the Branch has addressed most of the recommendations, including the main risk areas identified by previous assurance work related to the reconciliation of costs. We have recovered funds from the AFD Service Provider following negotiation and mediation, challenged unsupported expenses, which led to a reduction in invoicing for fiscal year 2013-14, and developed several new processes to exercise financial due diligence for third party statement of costs, work authorization, monitoring of the human resources plan, and others.

The AFD arrangements are successive examples of the Department's continuing transformation agenda, moving towards greater use of private sector capacities and the innovation it can bring to our delivery mechanisms. Over the last few years, the tolerance to risks within the federal government context has shifted significantly as government operations are placed under heavy scrutiny to demonstrate fiscal probity. Going forward, contract oversight will need to be balanced among risk, cost and materiality.

Steps have already been taken to assess and strengthen such level of oversight but need to be expedited given the in-service date of RP-1 (Real Property-1, the procurement process designed to replace the existing AFD contracts) on April 1, 2015, and the increased interest in doing more through RP-n mechanisms. The Branch is in the midst of creating a dedicated team with the main focus of developing and implementing an oversight framework that will take into consideration audit findings, government priorities, and risks and benefits associated with those mechanisms.

The branch continues to learn and realize the benefits of the increased oversight and strengthened monitoring controls, with the understanding that some risks may need to be accepted. While addressing the specific recommendations of this report, RPB has exercised due diligence for the existing contracts with the AFD Service Provider. Our focus and efforts are on the development of a comprehensive, integrated approach to appropriately address risk for the next generation of contracts.

Recommendations and Management Action Plan

Recommendation 1 (High Priority): The Assistant Deputy Minister, Real Property Branch should develop and implement a plan for an integrated approach to monitoring activities for the next generation of AFD contracts, including appropriate policies, processes and tools which are well aligned to identified financial management and control risks, and consider requirements for consistent application across all regions. The plan should consider additional integration of the Branch's quality monitoring reviews, Project Invoice Detail Report reviews and key performance indicators, as well as more robust tools, methodologies and capacity. The plan should also consider updates to monitoring tools that link to previously identified risk areas, as well as consistent application by Real Property Teams in all regions. As appropriate, this plan should consider application of these monitoring activities in other RPB sectors, so as to allow enhanced oversight methodologies to be applied to all service management models and Real Property investments within the Branch.

Management Action Plan 1.1: Since the contracting approach for the next generation of AFD contracts differs from the current one, RPB is currently defining the RP-n oversight by developing a comprehensive Oversight Control Framework. The Framework will define clear objectives and key performance indicators in alignment with the Corporate Real Estate Model, the Business Management Model, and the National Service Management Strategy. This framework will also include key components of control systems (control environment, risk assessment, control activities, communication/information) which will set the overall approach for the integration of monitoring activities.

Management Action Plan 1.2: RPB will use the identified gaps in control integration to create an implementation plan that establishes milestones, OPIs and timelines to address the integration of all monitoring activities.

Management Action Plan 1.3: RPB will further build on existing process maps, tools and standard operating procedures for oversight activities to ensure that the oversight tools and activities are well-aligned to all previously identified risk areas, that the tools renew the approach to financial risk mitigation, and that they are comprehensive, integrated and implemented nationally, ensuring consistency across regions.

Management Action Plan 1.4: RPB will develop an HR strategy that addresses required competencies and current gaps related to financial management and control, and leverages existing competencies residing in other departmental branches (e.g. Finance Branch).

Management Action Plan 1.5: RPB will develop a staffing and training program that supports and implements the HR strategy.

Management Action Plan 1.6: RPB will implement a new organizational structure in order to build capacity and to ensure the consistent application of monitoring tools and controls. This will continue to strengthen the oversight of the existing AFD contracts, and ensure sustainability and scalability to oversee future real property service management contracts.

Management Action Plan 1.7: RPB will develop and implement a change management strategy with associated communication plans that address the integration of monitoring activities in the branch.

Management Action Plan 1.8: RPB will finalize the procedure for the Financial Project Reviews. The purpose of this procedure is to strengthen RPB's practices and due diligence related to Financial Project Reviews. This is achieved by implementing an integrated approach to monitoring activities including appropriate processes and tools which are well aligned to identified financial management and control risks, and address the requirement for consistent application across all regions. RPB will also meet with the Finance Branch to explore opportunities to leverage their financial expertise.

Recommendation 2 (Moderate Priority): The Assistant Deputy Minister, Real Property Branch should enhance the monthly reconciliations of information systems by developing a process to guide the activity that includes follow-up and documented resolution of variances, as well as regular validation that the AFD Service Provider is conducting internal reconciliations of the Alternative Forms of Delivery Management System to cash receipts recorded in its internal financial system.

Management Action Plan 2.1: RPB will strengthen and finalize its monthly reconciliation process for both the expenditures and revenues collected, by including a follow-up of identified variances with the regions and documented resolutions.

Management Action Plan 2.2: RPB, in conjunction with the AFD Service Providers (SPs), will explore options for receiving regular confirmation of the SP's verification of data to ensure the inputs into AFDMS are valid, accurate and complete.

Recommendation 3 (Moderate Priority): The Assistant Deputy Minister, Real Property Branch should, in conjunction with the Assistant Deputy Minister of Acquisitions Branch, ensure that an appropriate cost audit strategy is developed for the remaining years of the contract, and that any adjustments identified in the current cost audits are followed up on in a timely fashion.

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Management Action Plan 3.1: The Cost Audit Strategy, to perform cost audits for fiscal years 2012-13, 2013-14 and 2014-15 and for all eight contracts, has been established.

Management Action Plan 3.2: RPB will address the findings of the Cost Audits in a timely fashion. Any findings and/or areas of risk will be incorporated into the terms of reference for the remaining cost audits and other assurance work such as the third-party statement of cost and the monthly reviews performed by the AFD Service Management Coordination's Audit, Review and Evaluation Team. Cost Audit for 2012-13 is currently in progress.

Management Action Plan 3.3: Cost Audit for 2013-14 still to be performed.

Management Action Plan 3.4: Cost Audit for 2014-15 still to be performed.

Recommendation 4 (Moderate Priority): The Assistant Deputy Minister, Real Property Branch should ensure that the procedures established for conducting and reconciling to the annual audit of the Service Provider's statement of costs:

- a. include provisions to feed business intelligence from monitoring and reconciliation activities to the third-party auditor, such that observed areas of risk are used to inform the third-party auditor's audit procedures; and,
- b. are sufficiently clear and detailed to allow the Branch to conduct a meaningful review and reconciliation.

Management Action Plan 4.1: Annually, RPB will direct the SP to make any necessary modifications to the terms of reference used to audit SP's statement of costs, based on business intelligence from RPB's monitoring and reconciliation activities.

Management Action Plan 4.2: RPB will communicate the areas of risk gathered throughout the year from various sources such as Costs Audits, Quality Monitoring reviews and the monthly reviews performed by AFD Service Management Coordination's Audit, Review and Evaluation Team to the contractor's third-party auditors for inclusion in their procedures for the annual audit of the SP's statement of costs.

Management Action Plan 4.3: RPB will document its established procedure for conducting and reconciling to the annual audit of the SP's statement of costs.

Recommendation 5 (High Priority): The Assistant Deputy Minister, Real Property Branch should further enhance the year-end reconciliation of the AFD Service Provider's actual expenditures (per the audited statement of costs) to actual amounts paid by PWGSC and other government departments, using common departmental financial data. These enhancements should:

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- a. ensure that the year-end reconciliation between actual costs and amounts paid by PWGSC, per the common departmental financial system (SIGMA), includes all services under the contract (ie. property management, project delivery and optional services), and that differences are resolved in a timely manner;
- b. ensure that documented procedures are developed for conducting the year-end reconciliation to actual amounts paid according to PWGSC's common departmental financial system (SIGMA); and,
- c. develop options for engaging other government departments, at levels of sufficient seniority, to ensure both an appropriate understanding of the risks to other government departments' financial management controls and that the other government departments are provided the necessary information by Real Property Branch to perform reconciliations of their own tenant direct expenditures.

Management Action Plan 5.1: RPB will document its year-end reconciliation process between actual costs and amounts paid by PWGSC, per the common departmental financial data found in SIGMA that include all services under the contract.

Management Action Plan 5.2: RPB will strengthen and finalize its year-end reconciliation process for both the expenditures and revenues collected by including a follow-up of identified variances with the regions and documented resolutions.

Management Action Plan 5.3: RPB sent a letter to tenant departments in January/February 2013 outlining responsibilities when authorizing tenant direct projects. The letter included a web link to a presentation providing additional information related to these projects.

Management Action Plan 5.4: RPB will develop and implement Memorandums of Understanding (MOUs) with tenant departments for the use of Tenant Direct projects and services, which will outline roles and responsibilities and financial obligations including year-end reconciliation. As the Department is in the final year of the existing AFD contracts, due to the time required to develop MOUs and obtain approvals, the MOUs will be signed for the new contracts coming into effect April 1, 2015. The MOU template will be aligned to the Statement of Work of the new contracts.

Management Action Plan 5.5: Annually, RPB will provide a report to each tenant department (using Tenant Direct) which shows Tenant Direct / Tenant-requested project financials as reported by the SPs at fiscal year-end. RPB will request validation of the information submitted by the SPs and any variances will be addressed in a timely manner.

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. PWGSC is now planning for the procurement of the next generation of contracts to replace the current AFD contracts. The total contract authority for the entire term of the contracts 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. Project delivery services, including tenant services and tenant direct projects; and,
 3. Optional services, including commercial and retail lettings and project delivery services between \$200K and \$1M.
5. The functions above which relate to the Department’s role as custodian of buildings, including operating expenses, repair, costs related to utilities, recapitalization and revenue related to commercial and retail lettings are managed by the Real Property Branch (RPB). However, the contracts were structured to allow tenants to deal directly with the AFD Service Provider for projects under \$40,000. This type of service is ordered, approved and paid for under the delegated authorities of each tenant. In PWGSC, tenant direct projects are managed under the Corporate Services and Strategic Policy Branch.
6. In 2007, as part of its renewed vision, RPB began development of the *National Service Management Strategy* (NSMS), an umbrella service strategy directed at building capacity and ensuring that clients were provided with the services they needed. This strategy relied on private-sector service providers for hands-on service delivery, in conjunction with PWGSC service management to ensure that government was receiving value for money

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7. To address the risks relating to third-party building management, the Review of RPB Monitoring Controls of the AFD Program was added to the Office of Audit and Evaluation's (OAE) 2009-2014 Risk-Based Audit and Evaluation Plan. Also included in the Plan, was a review of the Corporate Services and Strategic Policy Branch Monitoring Controls over Expenditures related to the AFD Program (as Tenant).
8. In early 2010, while the OAE review was in progress, certain AFD expenditures became the subject of media scrutiny. In response, the Minister requested an independent third-party auditor review of seven transactions (phase 1) identified by the media, and conduct a broader examination of the AFD expenditures (phase 2). PricewaterhouseCoopers LLP was awarded the contract to perform an independent, multi-phased audit consisting of specified forensic audit procedures on the expenditures incurred by the AFD Service Provider on behalf of PWGSC as (i) custodian, (ii) tenant and (iii) on behalf of other government departments as custodian and tenant. The first phase of the third-party audit was conducted concurrently with the OAE review.
9. The Review of Real Property Branch Monitoring Controls of the Alternative Forms of Delivery Program (2009-806) commenced in December 2009. In December 2010, due to the nature of the PricewaterhouseCoopers audit of certain AFD expenditure transactions, the Department decided to put the OAE review in abeyance, issue a management letter indentifying concerns noted at the time, and allow for the conclusion of the third-party audit.
10. The third-party audits and internal review identified transaction-related errors that had not been prevented by the AFD Service Provider's internal controls, and had not been detected by RPB's controls. The errors identified were related to: (1) expenditures for project delivery and property management services; and (2) revenues from commercial and retail lettings. As a result, the third-party audits and internal review identified certain issues requiring management action. These issues indicated weak controls to prevent errors on the part of the AFD Service Provider, as well as weak controls for detecting errors on the part of the Department.
11. The errors identified in the third-party audits and the previous OAE internal review can be summarized as follows:
 - i. **Incorrect Rates** – Incorrect rates charged to PWGSC, or incorrect management fees applied – this relates to operating costs, such as labour and disbursements, which the Service Provider is entitled to pass-through to PWGSC, as well as service fees which the Service Provider may charge for delivering project work on behalf of PWGSC;
 - ii. **Billing Irregularities** – Costs billed to PWGSC that were not incurred or were not representative of the actual amounts paid by the AFD Service Provider to its

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- suppliers or subcontractors, as well as supplier credits that were not passed through to PWGSC;
- iii. **Unsupported Expenses** – project management or property management charges that lacked supporting documents, such as commissioning, technical or health and safety costs and journal vouchers;
 - iv. **Errors** – Project management labour and disbursement rates were sometimes applied to costs which should have been passed through to PWGSC without mark-up, as well as double-billing, calculation, data entry and coding errors;
 - v. **Policy Non-Compliance / Inadequate Documentation** – non-compliance with stated procurement policy, significant project scope change not justified or re-tendered, decisions to use additional services not adequately justified, or cost allocations not adequately justified.
12. The previous OAE internal review also identified control weaknesses relating to the amounts being collected by the AFD Service Provider on behalf of PWGSC. These weaknesses were related to the leased space in PWGSC buildings which the AFD Service Provider manages on the Department's behalf. The identified control weaknesses had the potential to result in errors which can be summarized as follows:
- i. **Inaccurate commercial leased property inventory** – leases that were missing or contained inaccurate information, in leased property systems maintained by PWGSC and the AFD Service Provider, creating a risk that the Department was not receiving the revenues that it was owed;
 - ii. **Incorrect revenue collection** – similarly, the Department was not receiving the revenues it was owed when revenue collected did not match the rent stipulated by the lease, or when unpaid rent was not subject to additional collection measures; and,
 - iii. **Vacant space** – failure to effectively manage leases which were about to expire, as well as the failure to find new tenants to occupy vacant space, resulted in the Department being denied potential revenues.
13. Together, the third-party audits and internal review directed recommendations at the Department relating to activities for which RPB was responsible. The Branch subsequently developed management action plans to address the concerns raised in both the third-party audits and the internal review. The third party audits and management letters were reviewed and recommended for approval by the departmental Audit and Evaluation Committee and approved by the Deputy Minister.
14. The Department committed to working with the AFD Service Provider to improve the service provider's preventive controls, and also committed to improving the Branch's own detective controls. The steps were part of the Department's larger commitment to ensuring that the administration of the AFD contracts continues to provide ongoing value in terms of the next generation of building management contracts.
15. The above mentioned assurance work also included recommendations for the Department's Corporate Services and Strategic Policy Branch. Similar to RPB,

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Corporate Services and Strategic Policy Branch also developed management action plans to address the identified issues. As the two sets of management action plans are linked, a review of Corporate Services and Strategic Policy Branch's implementation has been conducted simultaneously with this follow-up review of RPB. The findings of the Follow-up Review of the Implementation of AFD Management Action Plans by Corporate Services and Strategic Policy Branch are reported in a separate report.

FOCUS OF THE REVIEW

16. The objective of the follow-up review was to determine whether RPB had sufficiently implemented the management action plans relating to the recommendations resulting from the third-party audits (2010-715 and 2011-710) and internal review (2009-806) concerning financial transactions (expenses and revenues) submitted by the AFD Service Provider.
17. The review also focused on establishing whether management actions had addressed the issues that led to the recommendations. As such, the review assessed whether processes and activities implemented by RPB have mitigated the risks identified in the previous audits and reviews.
18. Though the review did assess RPB's direction to the AFD Service Provider in helping to prevent errors in the Service Provider's internal control environment, the review focused primarily on RPB's implementation of enhanced detective controls. As such, the observations contained herein are presented according to key detective control mechanisms outlined in RPB's management action plans. As the Department has the greatest control over its internal processes and activities, it is important to confirm that the Branch has appropriate detective controls in place to identify errors when they occur. This is equally applicable to both the current, as well as any future, AFD contracts. We did not review the AFD Service Provider's practices or performance. Consequently, our conclusions relate only to the management practices and actions of PWGSC and its employees.
19. The period covered by the review was from March 2010 to March 2013, and included any actions taken in response to the findings and observations from the engagements noted above.
20. 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

21. 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.

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22. 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

23. Over the past two years, RPB has directed considerable effort at addressing the issues identified by the third-party audits and internal review. The previous assurance work resulted in 62 recommendations directed at RPB, and required the development and implementation of over 100 individual corrective action items. Implementation of the management action plans required the development of a significant number of new business processes aimed at strengthening oversight and monitoring controls. It also required that new training be developed and delivered nationally in order to ensure consistency in application nationwide.
24. The implementation of these management actions has meant that the Branch has been responsible for both continuing to oversee the Service Provider, as well as designing and implementing an enhanced framework for conducting its oversight. This enhanced oversight has required a change in culture in the Branch.
25. In assessing RPB's progress, we observed that many of the key activities that RPB had committed to undertaking were recurrent throughout the management action plans. These key control activities correspond to the following themes: PWGSC monitoring activities; reconciliations activities related to information systems data; cost audits; annual audit of the Service Provider's statement of costs; and, annual PWGSC reconciliation of actual costs. In order to report our observations and conclusions concisely, they have been grouped according to the key control activities identified in RPB's management action plans.

PWGSC MONITORING ACTIVITIES

26. One of the key controls which RPB committed to as part of its management actions plans was to increase and strengthen its monitoring over the activities of the AFD Service Provider. Monitoring activities include, quality monitoring of transactions on a quarterly basis, monthly review of financial reports to ensure data integrity, and monitoring and management of key performance indicators. The Branch had quality monitoring in place to verify that the AFD Service Provider was providing quality technical and property management services, and to ensure compliance with elements of the contract's statement of work. While this monitoring was in place before the third-party audits and internal review, its focus was on technical services, not financial management controls.
27. The previous assurance engagements identified errors relating to both project delivery and property management services (i.e. incorrect rates, billing irregularities, unsupported expenses, errors, and policy non-compliance / inadequate documentation). It also identified errors (e.g. inaccurate commercial leased property inventory, incorrect revenue collection and vacant space) relating to the revenues the Service Provider was collecting on behalf of PWGSC. These errors indicated that

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there was insufficient monitoring of the financial transactions submitted to PWGSC by the AFD Service Provider to detect errors.

28. The previous assurance work also found that monitoring of the AFD Service Provider's inputs to RPB's information technology systems, as well as appropriate project documentation, were lacking. As a result of these issues, RPB committed to enhancing its monitoring activities to ensure that expenses paid by the Department and revenues collected on behalf of the Department were valid and supported by appropriate documentation and accurate data. In ensuring this, the Branch could demonstrate that it was appropriately discharging its accountabilities for the stewardship of public funds under the AFD contracts.
29. RPB's management action plans committed it to enhancing and expanding the activities of its quality monitoring network to include verification of the key contract administration controls which the previous assurance work found to be lacking. For example, the Branch's management action plans referred to enhancing quality monitoring processes related to the management of subcontractors, processes related to managing changes in project scope, as well as processes for detecting and correcting billing errors. This was to be achieved through AFD Service Management Coordination's Quality Monitoring function, which conducts quality assurance checks on the Service Provider's compliance with contract's statement of work.
30. The management action plans also committed RPB to implement improvements to its monthly review of the Project Invoicing Detail Report. This review, which forms the basis of the Service Provider's monthly invoicing to PWGSC, is conducted by comparing the monthly claim from the Service Provider to the information contained in the Project Invoicing Detail Report. This process is intended to allow the technical authority, or delegate, to authorize payment under Section 34 of the *Financial Administration Act*, once work has been performed, goods supplied or services rendered.
31. In addition, the Branch committed to a review of the existing key performance indicators used to measure the AFD Service Provider's performance. This review was directed at ensuring that the performance indicators remain aligned with any changes in business practice resulting from the management action plans.
32. We expected that:
 - i. The Branch's monitoring activities would be re-designed to provide a comprehensive, integrated and efficient approach to AFD contract monitoring, including regular verification of key financial management controls, and would include other improvements related to ensuring policy compliance and completeness of documentation, as identified in the Branch's management action plans;

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- ii. These changes would have been formalized in approved and documented procedures which would ensure a consistent and rigorous approach to monitoring across all regions;
- iii. Tools used for monitoring activities would be well-aligned to the specific financial risk areas identified by the third-party audits and internal review (i.e. incorrect rates, billing irregularities, unsupported expenses, errors and policy non-compliance / inadequate documentation);
- iv. Roles and responsibilities would be clear and communicated to all staff;
- v. Resources with financial management expertise would perform monitoring related to financial management controls;
- vi. Enhanced monitoring activities would have been the subject of additional training and orientation for the quality monitoring teams across the country, to ensure a common understanding and consistent approach; and,
- vii. The Branch would be able to demonstrate an appropriate review of the key performance indicators, and that results from the review were being reported to senior PWGSC AFD Service Management Coordination management.

PWGSC monitoring activities have been increased and, to a certain degree, strengthened

33. We found that RPB has directed significant effort at mitigating the risks identified in the previous assurance work. The Branch's quarterly quality monitoring activities have increased the scrutiny to which the AFD Service Provider's transactions are subject. The checklists which the Quality Monitors use to conduct the quarterly reviews have been updated to include some of the risk elements identified by the third-party audits and internal review. The Branch has conducted nationwide training to ensure a common understanding of new tools and processes, as well as their connection to the audit issues. The Branch also communicated refinements to these processes to its quality monitoring network through its national quality monitoring workshops. We also found that, in the winter / spring of 2012, the national quality monitoring within AFD Service Management Coordination had performed a compliance review of quality monitoring reports for completeness. Areas found to be deficient in this review were communicated to the regional quality monitoring teams for action. In addition, the Branch had undertaken a Human Resources study to better understand the appropriate level of resources required to monitor and oversee AFD activities in the national and portfolio offices, per its management action plan commitments.
34. Similarly, the monthly review of the Project Invoicing Detail Report has also increased the amount of scrutiny to which the AFD Service Provider's invoices are subject. The current process calls for the Technical Authority, or delegate, in each portfolio to review the report against the claim submitted by the AFD Service Provider each month. This consists of reviewing projects on the detailed monthly invoice report against the claim submitted by the Service Provider to ensure that an

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appropriate percentage of completion is being invoiced. This serves to confirm that the payment is reasonably representative of services rendered.

35. This review is then augmented by a separate monthly review conducted by the Quality Monitoring teams. The Quality Monitors select a sample of 10% of projects on the Project Invoicing Detail Report for a more detailed examination of project documentation. The quality monitoring review is conducted by comparing documents on the project file to the current percentage of project completion most recently invoiced. In cases where the project documents do not support the percentage of completion invoiced, payment is withheld. Together, the two tasks provide the Technical Authority with increased confidence that the monthly payment to the Service Provider is in line with services provided.
36. RPB was also able to demonstrate that the review of the existing key performance indicators is being conducted, with the results being reported to PWGSC and the AFD Service Provider's Joint Operations Committee. We found that the review of key performance indicators for project delivery, which measure the Service Provider's ability to deliver projects on time and on budget, is complete. The review of property management key performance indicators, which measure the Service Provider's ability to deliver services related to regular building operations, is on-going. We were also advised that additional key performance indicators to measure the Service Provider's data integrity will be included the next generation of contracts.
37. As a result, we concluded that RPB has increased, and to a certain degree enhanced, its monitoring of the AFD Service Provider. The Branch continues to make modifications to its monitoring activities, to bring them more into line with the identified risks. OAE also confirmed that the review of key performance indicators was being undertaken to ensure integrated oversight and input from senior management. However, the full review of key performance indicators is ongoing, and the results are being used to inform the next generation of contracts.

Monitoring activities are not yet fully integrated or aligned to audit risks, and documented processes are incomplete

38. Though the above corrective measures have established a foundation for RPB's ongoing monitoring of the AFD Service Provider, we noted several weaknesses in the Branch's implementation of enhanced monitoring tools and activities. Specifically, we found that monitoring activities were not well-integrated; that not all changes to quality monitoring indicated in the management action plans have been fully implemented; that tools and processes are not well-suited to financial management and control; and, the composition and roles and responsibilities of quality monitoring teams are not yet fully-aligned to the risks identified in the previous assurance work. We also noted potential inconsistencies in the application of the enhanced monitoring activities.

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39. The review noted opportunities for greater integration of the various monitoring activities. The results of the quarterly quality monitoring reviews, monthly review of the Project Invoice Detail Report and management of key performance indicators would ideally be linked, such that outputs from one activity form inputs to other activities. Integrating the monitoring activities in this way would provide an efficient and thorough approach to AFD contract monitoring, and the Branch's contract administration would be strengthened by this synergy. For example, we noted that although the Technical Authority and/or delegate can flag projects for the Quality Monitors to examine as part of the quality monitoring activities, this is not part of the documented process, and it is not known whether this practice is consistent across all portfolios. Similarly, there are no processes which describe how business intelligence produced by the monitoring activities can be communicated to other key control activities, in order to enhance their effectiveness.
40. In addition, the review identified modifications to quality monitoring, in the approved management action plans, which have not yet been implemented. For example, both the previous third-party audits and internal review raised concerns with how project change orders were being managed, and recommended that management of change orders be strengthened. The Branch committed to several improvements to address these recommendations, including expanded quality monitoring reviews which would verify that project documentation supports both the justification and cost of change orders. However, the review found that the re-designed quality monitoring does not include steps to assess or challenge the rationale for change orders. The OAE was advised that this action item was not implemented as described in the management action because change orders are within the authority of the regional real property teams, and because the quality monitors cannot always be expected to have sufficient understanding of a change order to assess it.
41. Similarly, one of the third-party audits found instances where project delivery service fees had been charged on property management costs (e.g. services related to cleaning, utility charges to PWGSC tenants, recurring maintenance service contracts and other non-construction work). It recommended that the Department conduct periodic reviews of project classification to ensure that project delivery service fees were only charged on allowable construction and design costs, in accordance with the AFD Contracts. In response, the Branch committed to adding this check to quarterly quality monitoring project reviews and the monthly reviews of Project Invoicing Detail Reports. The review found that neither the quarterly reviews, nor the monthly Project Invoicing Detail Reports reviews, are performing this verification. Instead, the OAE was advised that the validation is conducted by the Technical Authority when approving a project's investment analysis reports, and if needed, the Technical Authority will engage the National Centre of Expertise to perform a review. However, the review noted that this would not include projects under \$25K, as well as any tenant direct projects, which do not require an investment analysis report.

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42. The review also noted weaknesses with some of the tools and processes being used by RPB's AFD Quality Monitoring teams to conduct their work. Specifically, the Quality Monitoring Standard Operating Procedure had not been revised since 2010, prior to the third-party audit and internal reviews. In addition the Quality Monitoring checklists, which were created to monitor compliance with the technical aspects of the contract's Statement of Work, are still primarily oriented to technical compliance verification. Though some modifications were made to the checklists to incorporate verification of key financial controls (such as subcontractor management), the checklists do not fully align with the risk areas identified by the previous assurance work. In addition, some members of the Quality Monitoring network we interviewed expressed dissatisfaction with the checklists, citing concerns related to usability and repetitiveness. We also noted that on some of the completed checklists we were shown, multiple sections were incomplete.
43. The review also noted some regional inconsistencies in how quality monitoring is conducted, as the tools don't seem to help ensure a common approach. We also found that the monitoring of the Service Provider's payments to its subcontractors, an important new monitoring activity, had only been conducted once for fiscal year 2011-12, and that the verification had only selected and reviewed a small sample of projects. The verification was also conducted on both open and closed projects, which is different from what the previous assurance work recommended. By conducting the reconciliation on open projects, the Branch cannot be certain whether it was over-charged or under-charged when the final billing occurred.
44. The monthly review of the Project Invoicing Detail Report does not include comprehensive guidance to ensure consistent nationwide verification of the same set of key controls. There is no approved checklist to guide the review, such that an e-mail exchange was often the only corporate record available to indicate that the review had taken place, and what it had examined. This is a concern in that this limits what RPB can demonstrate has been examined and validated by the review of the Project Invoicing Detail Report. We were also concerned with the degree of consistency, as well as the level of rigour, in the Project Invoicing Detail Report review from region to region, as the approved procedures for the activity leave important elements to the reviewer's interpretation. Though one region has created checklists for the Project Invoicing Detail Report review which seem to consider the financial risks more fully, these tools were not formally approved at the time of our examination. Without this guidance, the Branch cannot be certain that staff nationwide are routinely verifying the functioning of key controls.
45. Further, the AFD Service Management Coordination directorate had not yet been able to engage a full complement of resources with financial management expertise, although this was at least partly due to recruiting challenges which were outside the Directorate's control. These resources, which are new positions created in all regions in response to the previous assurance work, are intended to provide the Directorate with portfolio-level financial management and control expertise. The

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creation of these positions was intended to ensure that the appropriate financial management controls are being considered as part of the Branch's quality monitoring. The risk resulting from the inability to fully staff these new positions is exacerbated by the fact that no documented roles and responsibilities or work instructions have been developed for these resources, which creates a risk of inconsistent use or under-utilization of these employees in the regions which have successfully staffed the position. Other members of the AFD Quality Monitoring network are drawn from existing RPB resources, which generally include building systems and/or property management professionals. The absence of resources with the necessary financial expertise means that existing members of the AFD Quality Monitoring network are required to conduct both technical and financial verification work, which makes the need for robust and well-aligned monitoring tools even more important.

46. The OAE concluded that while monitoring of the AFD Service Provider has been increased and, to a certain degree, enhanced, monitoring tools and activities would benefit from a more integrated approach to the verification of key financial and contract administration controls. Monitoring tools and processes would benefit from additional alignment to the risks identified by the previous assurance work, and also from a review to ensure that they are sufficiently robust to allow RPB to demonstrate that it has discharged its accountabilities. In addition, monitoring of the Service Provider's payments to its subcontractors would be enhanced by more rigorous work instructions related to sample sizes and frequency of verification. Further, the Branch's monitoring activities would be significantly strengthened by completing the staffing of resources with experience in the area of financial management and control in all regions and ensuring that their roles and responsibilities are clearly documented and understood, although the difficulties that RPB has encountered in staffing these positions are to a certain degree beyond the Branch's control.

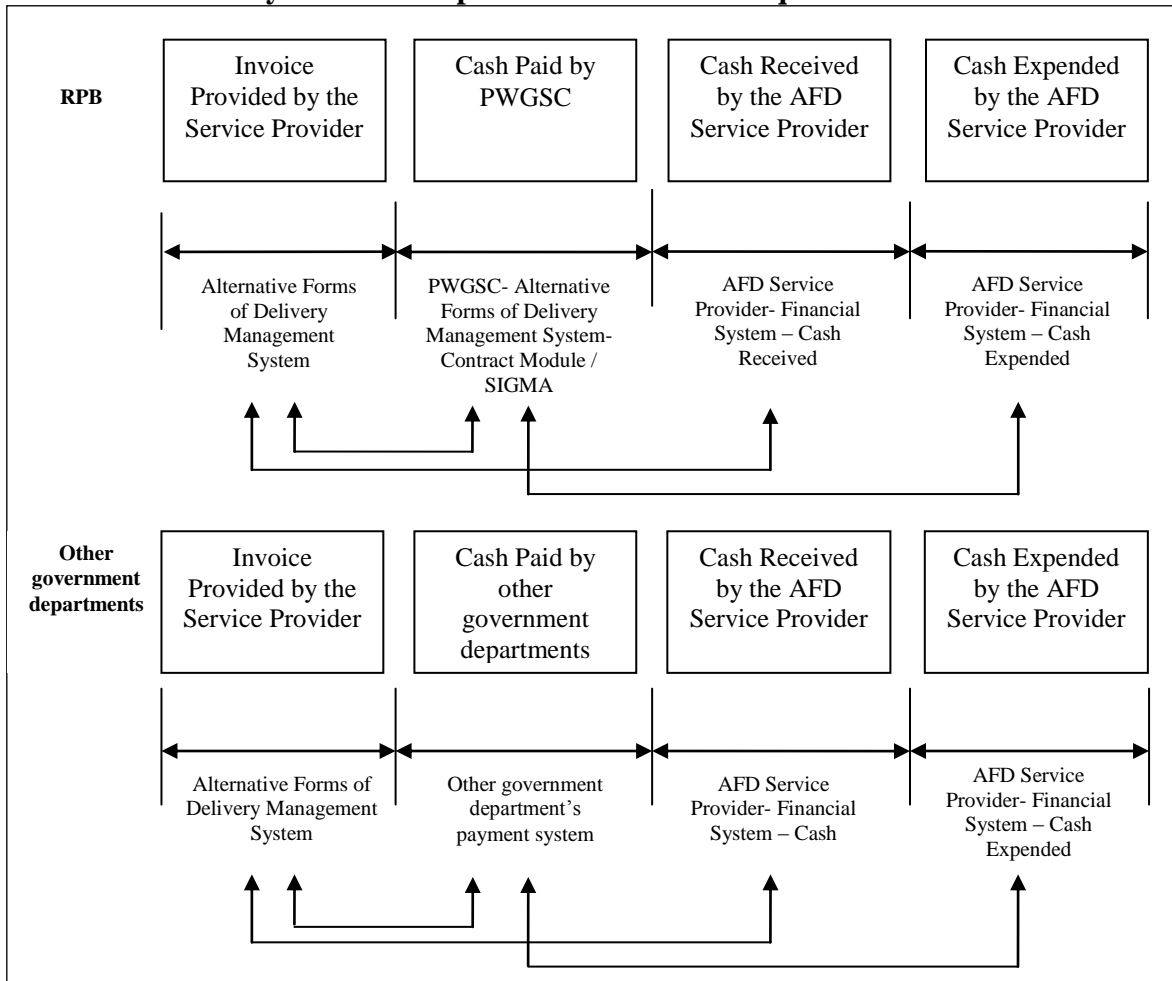
RECONCILIATIONS OF INFORMATION SYSTEMS DATA

47. The previous assurance work noted concerns with the integrity and sufficiency of information contained in the information systems used in the administration of AFD service management. These issues were partially due to transactions that had been miscoded or incorrectly keyed into various systems, resulting in errors. In other cases, the cause of the error was that data from the Service Provider's systems was not transferred into PWGSC's Alternative Forms of Delivery Management System. Both the third-party audits and the internal review recommended that RPB take steps to ensure that the information systems contained data that was sufficiently detailed, accurate and complete to allow PWGSC to track and monitor both expenditures and revenues. It was also recommended that PWGSC periodically review the Service Provider's data requirements to ensure these were sufficient for both parties' reporting and monitoring requirements.
48. Information related to project delivery and property management services expenditures is contained in various information systems used by PWGSC and the AFD Service Provider. Since the systems are an important component in making

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payments, it is essential that these systems are reconciled to ensure complete and accurate data. One of the central systems in this activity is the Alternative Forms of Delivery Management System, which is the system used by RPB and the AFD Service Provider. The system contains monthly invoicing and payment information. SIGMA is the Department's common financial system, which processes PWGSC's actual payments. The Alternative Forms of Delivery Management System's Contract Module allows AFD Service Management staff to track PWGSC payments against invoiced amounts in greater detail. Payment systems used by other government departments, as well as the AFD Service Provider's internal financial systems for actual cash received and costs incurred are also important to ensure the accuracy, completeness and validity of information contained in the Alternative Forms of Delivery Management System. The payment and expenditure flow, and required reconciliations, are represented in Exhibit 1, below.

Exhibit 1: Payment and Expenditure Flow and Required Reconciliations



49. Similarly, the management of commercial and retail leases, which is an optional service that the AFD Service Provider conducts on behalf of PWGSC, involves systems intended to track revenues. As with expenditures, the Alternative Forms of

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Delivery Management System is central in both the planning for revenues, as well as the tracking of actual deposits, which the AFD Service Provider collects on PWGSC's behalf. Commercial and retail letting information is also contained in SIGMA, which tracks actual deposits to the Receiver General for Canada account, the account into which payments to the federal government are deposited. PWGSC also uses the WinFIS system, which allows the Department to track asset and occupancy data. The accuracy, completeness and validity of the information in these systems is critical to ensuring accurate collection of commercial and retail letting revenues. By performing reconciliations of the information contained in these systems, RPB would be able to ensure that systems data is complete and accurate, and supports the collection of revenues.

50. RPB recognized that, in order to be able to demonstrate the discharging of its accountabilities, it required more detailed and accurate information. As such, we expected that the Branch would have:

- i. implemented appropriate and regular data reconciliation activities to validate the accuracy of data being input to the information systems identified above;
- ii. conducted data reconciliation exercises directed at ensuring that any errors, which had been previously input would be identified and corrected;
- iii. conducted reconciliation activities using procedures and tools which provide clear explanations of variances and their resolutions
- iv. implemented changes to some of its information systems to allow for a more detailed breakdown of cost components; and,
- v. taken steps to ensure that the Service Provider was performing reconciliations between its internal financial system and the Alternative Forms of Delivery Management System.

Some reconciliations of information systems have occurred

51. For expenditures, we found that the Branch has implemented a monthly monitoring task to validate and reconcile the invoice information contained in the Alternative Forms of Delivery Management System to the payment information contained in SIGMA and the Alternative Forms of Delivery Management System Contract Module. SIGMA, PWGSC's common financial system, contains the actual amounts that PWGSC has paid, whereas the Alternative Forms of Delivery Management System Contract Module contains detailed breakdowns of property and project management amounts which have been invoiced and paid. Because SIGMA is not required to contain a detailed breakdown of payments to the AFD Service Provider, it is important that the payment information it contains be reconciled to a system which contains detailed breakdowns of the amounts. The Alternative Forms of Delivery Management System Contract Module serves this purpose, and allows AFD Service Management Coordination staff to perform monthly validations, after which, variances are reported to the regional offices for action. This activity helps to ensure

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that the correct amounts are both paid to the AFD Service Provider and recorded in the Department's financial systems.

52. Similarly, RPB has implemented reconciliation activities to validate the accuracy and completeness of revenues which the AFD Service Provider collects on behalf of the Department. We found that both RPB's AFD Service Management Coordination directorate and its National Real Estate Services directorate have implemented reviews of commercial leased property information so as to resolve existing issues and ensure data quality going forward. These reviews focus on reconciling the information contained on the Letting Control Sheet, which summarizes the tombstone and payment information on the lease, to the information contained in the Department's internal tracking system (WinFIS) and the Alternative Forms of Delivery Management System. Further, the AFD Service Management Coordination directorate has implemented a process to reconcile the information in SIGMA to the reported deposit information in the Alternative Forms of Delivery Management System on an annual basis.
53. We also found that RPB had initiated changes to the Alternative Forms of Delivery Management System. The previous assurance work found that the system did not allow a sufficiently detailed breakdown of costs components to be able to validate what the Department was being charged for. RPB agreed, and the Branch has made changes to the Alternative Forms of Delivery Management System to provide greater detail in its tracking of the cost components which make up the Service Provider's charges.
54. As a result of these improvements, the review concluded that the responsible RPB directorates have started to implement measures to address the data integrity issues for expenditures and revenues noted in the previous assurance work.

Data reconciliation analysis and follow-up need to be strengthened

55. Though we noted the improvements in data reconciliation activities described above, we also found areas which need to be strengthened. There are two components to the reconciliations: (1) conducting validation of systems data to identify errors and ensure data integrity, and (2) analysis and follow-up to identify root causes and ensure that corrections are made. We found gaps and weaknesses in the analysis and follow-up activities related to the data reconciliation activities described above.
56. The review noted that, while the reconciliation of invoice information contained in the Alternative Forms of Delivery System, its Contract Module, and SIGMA is taking place on a monthly basis, follow-up activities are currently not well-developed. The current practice is for AFD Service Management Coordination to conduct its monthly reconciliation and then to report any variances to the applicable region for action. We identified that there is no follow-up after the fact to ensure that the variance has been resolved, and the region is not required to report resolution of the variance to AFD

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Service Management Coordination. Further, the documented processes to guide this activity are not sufficiently clear regarding how variances should be resolved, recorded and analyzed.

57. Similarly, the data reconciliation of commercial and retail lease information is not currently guided by a set of common approved procedures. The reconciliations being conducted by the AFD Service Management Coordination directorate and the National Real Estate Services directorate result in some duplication of effort. Neither directorate has formally-documented or approved procedures for the reconciliation work it is currently doing. Also, RPB's Lease Administration manual, which was developed by its Professional and Technical Services Management directorate, contains work instructions which do not reflect current practice in AFD Service Management Coordination. We also noted that the reconciliation between the Alternative Forms of Delivery Management System, SIGMA, and WinFIS was not yet completed for 2011-2012. We were advised that the Branch was waiting on information from the Service Provider.
58. In addition, the review noted one management action plan item, related to confirming the validity of revenue forecasts, which has not been implemented. This corrective action was related to the risk that significant deviations of actual revenue from expected revenue could go undetected, and that periods of incorrect revenue collection could be prolonged as a result. As such, the OAE believes that it is important for the Branch to implement this corrective measure, so that this risk can be mitigated as originally intended.
59. Further, although RPB committed to ensuring the AFD Service Provider would perform monthly reconciliations of the Alternative Forms of Delivery Management System and cash receipts as recorded in the Service Provider's internal financial system, we were not provided with any evidence of this reconciliation. We were advised that instead, AFD Service Management Coordination directorate obtains monthly reports of property management service transactions recorded in the Service Provider's internal financial system from the AFD Service Provider which are then reconciled to the Alternative Forms of Delivery Management System. However, RPB was unable to provide evidence of this reconciliation. Without evidence of this reconciliation, OAE is unable to assess whether the Branch is taking steps to resolve the issues which led to data not being transferred into the Alternative Forms of Delivery Management System. We also noted that the reconciliation was not conducted for certain functions under the contract (i.e. project delivery services and optional services).
60. Together, these observations suggest that, while the Branch's management of its data integrity has improved, additional work is needed to ensure that variances are followed-up on to confirm resolution, and they are properly analyzed to prevent them from recurring. In addition, these reconciliation and follow-up activities are not yet guided by common, approved procedures that reflect actual practice across multiple

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directorates, and the AFD Service Provider. The tools being used for reconciliation activities do not yet provide sufficiently clear explanations of variances or their resolution, which weakens the Branch's ability to demonstrate effective review and correction of data issues. Finally, the Branch still needs to develop a method to regularly validate that the AFD Service Provider is reconciling Alternative Forms of Delivery Management System data to its own internal financial system, per the approved management action plan.

COST AUDITS

61. Prior to the third-party audits and the internal review, PWGSC had commissioned cost audits of three portfolios for the 2005-2006 fiscal year to verify whether the Department had paid the Service Provider in accordance with the Basis of Payment outlined in the AFD contracts. These audits were conducted by the former Audit Services Canada.
62. Recognizing the importance of this activity, the third-party auditor reviewed the cost audits as part of its examination work relating to the seven transactions (2010-715). The auditor recommended that PWGSC proactively follow-up on any audit adjustments identified in the 2005-2006 financial cost audits which had been conducted by Audit Services Canada, and prepare a strategy to ensure more frequent cost audits in the future.
63. In its management action plan, PWGSC committed to engaging Audit Services Canada to conduct financial cost audits of all eight contracts for fiscal year 2008-2009. The Department also committed to conducting cost audits in each of the eight portfolios for the remaining term of the contracts. We expected that the 2008-2009 audit work would have been conducted, and that a strategy for future years would have been developed, as described in the approved management action plan. We also expected that the strategy would consist of an integrated approach, which includes incorporating risk intelligence from other key control activities into the procedures for the cost audits.

Financial Cost Audits are in progress for fiscal year 2008-2009, however the strategy for future years is not yet complete

64. We found that the cost audits for all eight portfolios for 2008-2009 were initiated by Acquisitions Branch, as described in the approved management action plan. At the conclusion of the review on March 18, 2013, completion of the cost audits was anticipated for March 31, 2013. We were informed by Acquisitions Branch that the cost audits had been delayed due to: (1) the decision that Audit Services Canada would cease operations and be wound down; and (2) other assurance work (i.e. third-party audit and internal review) was impacting the ability of the AFD Service Provider to provide information in a timely manner. The Assurance Services Group of Acquisitions Branch was subsequently engaged to conduct the cost audits.

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65. We were unable to conclude whether these cost audits have successfully addressed the risks targeted by the recommendation as, at the end of the review, the audit work was not yet complete. We also found that the cost audit strategy for future years has not yet been prepared. According to Acquisitions Branch, though additional audits are expected in the future, the findings from the 2008-2009 audits are required before the strategy can be finalized.
66. Without the completed cost audits, potential amounts owing may be outstanding. Further, RPB may not have access at year-end to important risk intelligence which could be used to inform the annual audit of the Service Provider's statement of costs. This further highlights the need for the Branch to integrate all contract administration controls so that each control augments the efficiency of the others.

ANNUAL AUDIT OF THE SERVICE PROVIDER'S STATEMENT OF COSTS

67. The AFD contract established the terms by which the AFD Service Provider charges PWGSC for services, as well as for the Department's payment. The contract's Basis of Payment section details the allowable pass-through costs for property management services, project delivery services and optional services, as well as management fees which the AFD Service Provider is entitled to charge. The pass-through costs identified above are reimbursable to the Service Provider, but are not eligible to be marked-up for overhead or profit. The Service Provider's fees, specifically project delivery service fees and optional service fees, are calculated based on the actual pass-through cost to the Service Provider of delivering the services. However, since payments are made throughout the year, and final costs incurred by the Service Provider may not be known until a later date, it is important to have an accurate accounting of what the Service Provider's actual costs were at year-end. The AFD contracts reflect this, and require a third-party auditor to conduct an annual audit of the Service Provider's statement of costs.
68. The previous assurance work noted that, in previous years, the Service Provider's statement of costs had been prepared using estimated costs, rather than actual costs. The previous assurance work also found examples where unsupported expenses had been passed through to PWGSC, or where rates charged to PWGSC were not in accordance with the rates the Department agreed to. As such, a key recommendation from the third-party audits and internal review was for RPB to require that the Service Provider's statement of costs be based on actual costs. The statement of costs would then be audited by a third-party auditor on an annual basis. This is an important control for ensuring that the Service Provider's actual costs are accurately reflected in the final amounts that PWGSC pays for AFD services, and that the Department is not over-charged or under-charged.
69. We expected RPB would have coordinated this activity with the AFD Service Provider and the third-party auditor to ensure that the statement of costs prepared for

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all eight portfolios, which were subsequently audited, were based on the AFD Service Provider's actual costs. We also expected to find guidance to clarify RPB's role in contributing to the third-party audit work, related to the provision of risk intelligence, developed through its other monitoring and reconciliation activities, to the third-party auditor. Specifically, as RPB's ability to provide input to the third-party audits of the statements of cost is an important aspect of this control, we expected to find a formalized process with clear procedures and roles and responsibilities, including an annual schedule for initiating and carrying out this work.

The audit of the Service Provider's statement of actual costs has been completed

70. We found that RPB had worked with the AFD Service Provider and third-party auditor to ensure that the audits of the eight portfolio's cost submissions were based on actual costs and contained sufficient detail to allow for a meaningful year-end reconciliation. Also, the Department provided direction to the third-party auditors in the spring of 2012 with respect to requiring the third-party auditor to use a lower overall audit materiality based on the risks identified by the previous assurance work. The audits of the Service Provider's 2011-2012 financial statements was completed, and the final audited statements for all eight portfolios were delivered to PWGSC in October 2012, as specified in RPB's management action plan. As such, the OAE concluded that this activity has been completed for 2011-2012, as indicated in the management action plan.

RPB's input to third-party audits and related procedures need to be clarified and strengthened going forward

71. As noted above, though the audits are of the AFD Service Provider's actual costs under the AFD contract, the cost of these audits is charged back to the Department. This, combined with the Department's stewardship responsibility for ensuring that it has paid the correct amount for the services it has received, means that RPB has an important role in assisting the third-party auditor identify higher risk areas for examination. It is important then, that RPB be engaged in the planning of these audits.
72. We found that, except for the change to the level of materiality applied by the auditors to the engagement, RPB's involvement in the planning of the third-party audits was limited. Our interviews indicated that employees of the AFD Service Management Coordination directorate seemed uncertain as to the nature and extent of their role as it relates to informing the third-party audits. In addition, there is no link established between the business intelligence produced the Department's monitoring, audit and reconciliation activities to the annual audits of the Service Provider's statement of costs. There was also no documented guidance to define the Branch's role and ensure consistency in providing input to the third-party auditors' work. As the Directorate responsible for monitoring and reconciliation of the Service Provider's cost and data submissions, AFD Service Management Coordination is

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uniquely placed to guide the third-party auditors to areas of known risk and vulnerability. It is important then, that there be guidance to AFD Service Management Coordination staff to clarify their roles and responsibilities related to the annual audits of the Service Provider's statement of costs.

73. It is important to highlight that, although there is an absence of guidance, 2011-2012 was the first year that the audit of the Service's Providers cost submission was done using actual costs. The Department did provide direction to the third-party auditors in with respect to requiring lower overall audit materiality, which in turn increased the third-party auditor's procedures. However, with the number of the Branch's management action plans being implemented simultaneously, a more integrated and strategic approach to RPB's role in the audits was not considered. As such, we found that RPB's input to the third-party audits of the Service Provider's statements would benefit from formal guidance going forward. With improvements to the monitoring and reconciliation activities, and the results of the cost audits being completed by Acquisitions Branch, RPB will be better positioned to define integrated procedures which will allow it to provide more meaningful input to third-party audit of the Service Provider's statements of costs.

ANNUAL PWGSC RECONCILIATION OF ACTUAL COSTS

74. Based on recommendations from the previous assurance work, RPB committed to conducting a year-end reconciliation of amounts paid by PWGSC and other government departments to the AFD Service Provider's audited statement of actual costs. Each year, on receipt of the AFD Service Provider's audited statement of costs, PWGSC is required to perform a reconciliation. This control is important for ensuring that only the AFD Service Provider's actual costs are paid by PWGSC, with no mark-up for profit or overhead.
75. The previous assurance work found examples where costs billed to the Department were not equal to the amounts paid by the AFD Service Provider, unsupported expenses had been passed through to PWGSC, as well as cases in which PWGSC had been charged incorrect rates. While the audit of the AFD Service Provider's statement of costs is an important first step for ensuring that the costs reported by the AFD Service Provider are supportable, the responsibility for ensuring payments are made based on actual costs incurred ultimately rests with PWGSC. As such, PWGSC's reconciliation of payments made by PWGSC and other government departments against the audited statement of actual costs is required.
76. We expected that the Branch would have:
- i. conducted the review and reconciliation to the audited statements, per the commitment in the Branch's management action plans;
 - ii. undertaken any necessary follow-up and resolution of issues identified in its review (e.g. the AFD Service Provider to issue repayment, if necessary);

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- iii. performed a reconciliation of the AFD Service Provider's actual expenditures (per the audited statement of costs) according to a clear, documented process, which had been communicated to all stakeholders;
- iv. conducted the reconciliation to the Alternative Forms of Delivery Management System Contract Module and SIGMA, as well as other government departments' financial systems, as these systems contain the most accurate information available related to amounts that have actually been paid, which is how this control was described in RPB's management action plans.

Validation of the audited statement of actual costs is occurring

77. We found evidence that validation activities began shortly after the final 2011-2012 audited statements of cost were provided by the third-party auditor to AFD Service Management Coordination in October 2012. We also found that RPB and the AFD Service Provider had issued joint guidance on the procedures for reconciliation of certain project delivery services (i.e. project management labour, disbursements and commissioning). In addition, RPB has performed additional validation work of the statement of contract costs for property management services and project delivery services. AFD Service Management Coordination directorate began by comparing the amounts per the audited statements to approved budget amounts as of April 1st 2011. The directorate also reviewed the Service Provider's audited project management labour costs, a known risk area, for any potential variances. Where there were large variances, AFD Service Management Coordination requested that regional staff provide explanations, and also requested that the Service Provider provide additional detail. Any costs deemed not allowable for pass-through to PWGSC will be included as part of the year-end reconciliation and recovered.
78. It is important to note that, as with the third-party audit of the statement of actual costs, 2011-2012 was also the first year that this validation was undertaken. We were advised that AFD Service Management Coordination intends to use the results from this year's review and validation to inform the process for future years.

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Procedures to allow a full reconciliation to actual payments by PWGSC and other government departments have not been developed

79. Though the year-end reconciliation work described above establishes a solid foundation for this activity, we noted certain gaps in how the reconciliation is currently being done, as described below.
80. During the review, we found that the year-end reconciliation was done by comparing the Service Provider's audited statements of cost to information contained in the Alternative Forms of Delivery Management System and amounts invoiced by the AFD Service Provider for all three service types under the contract: property management services; project delivery services; and, optional services. For property management services, AFD SM Coordination provided evidence of reconciliation of the audited statements of cost to SIGMA was also conducted.
81. Reconciliations are of greatest value when conducted using independent sources of information. It is important to note, however, that the information contained in the Alternative Forms of Delivery Management System is provided by the AFD Service Provider as part of its monthly invoicing to PWGSC. As a result, the year-end reconciliation activities we observed for project delivery services and optional services were essentially comparing two sources of information provided by the AFD Service Provider. The use of SIGMA, the Department's common financial system, and the Alternative Forms of Delivery Management System Contract Module, a project information system managed by regional RPB staff, in the reconciliation of all three service types would allow an independent source of payment information to be used in conducting the reconciliation.
82. Though the year-end reconciliation of property management services included steps to reconcile to SIGMA, the reconciliation of project delivery services and optional services did not. As such, the year-end reconciliation of these items has not yet been conducted so as to compare the audited statements of cost to sources of payment information independent of the Service Provider. This, coupled with the weakness in following-up identified variances noted in paragraph 54, limits RPB's assurance that it has been billed correctly by the AFD Service Provider.
83. In addition, the Branch has also not implemented action items related to reconciling tenant requested project information in the Alternative Forms of Delivery Management System against the payment information contained in other government departments' payment systems. According to the audited statements of contract cost, tenant direct work accounted for \$11M of the service provider's \$555M in costs in 2011-2012. While tenant direct work only represents approximately 2% of the total yearly costs of the AFD contracts, the OAE believes the nature of the qualitative risks associated with these costs warrants management's attention.

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84. AFD Service Management Coordination has indicated that the reason these action items have not been implemented is that they do not control other government departments' payment systems, and therefore have no way of knowing whether the information provided by the other government department is correct. We were not provided with evidence of the Branch's attempt to engage other government departments, and it is unclear if escalation of the issue would produce a different outcome. The OAE believes that engagement with PWGSC Corporate Services in conducting the reconciliation of PWGSC's own tenant direct work would be a logical first step, and may provide the Branch with useful intelligence for how other government departments could be engaged. As a result of these limitations, the reconciliation exercise that the Directorate has implemented is not as robust as it could be.
85. We concluded that the current review and reconciliation work is partially completed, but is not clearly documented. An annual reconciliation of actual costs incurred by the AFD Service Provider to actual payments made by PWGSC and other government departments will provide the most accurate information by which to demonstrate that the Department has paid the Service Provider correctly. Conducting the reconciliation to actual payment information per the common financial system, for all three functions of the contract, and according to clearly established process will enable RPB to ensure the Service Provider adheres to the conditions of the AFD contract.

CONCLUSIONS

86. Real Property Branch's implementation of the management action plans related to AFD service management controls has been a complex process due to the large number of recommendations and complexity of some of the management action items. The management action plans were implemented while the Branch was simultaneously maintaining its operations of the AFD initiative, with only two years remaining on the current contracts. The review found that while the Branch has made progress in mitigating many risks, some solutions are not well-aligned to the identified risks.
87. We found that some of the Branch's key controls will require improvement for the next round of AFD contracts. Specifically, a more integrated and efficient approach to the Branch's key control activities needs to be developed and implemented, particularly in the context of the next generation of AFD contracts.
88. While the Branch's monitoring activities have been strengthened by including reviews of project financial cost elements intended to ensure accurate billing, they are not yet sufficiently aligned to the risks identified by the previous third-party audits and internal review. The Branch has re-designed its quality monitoring function and its monthly reviews of project invoicing, and is continuing to examine its key performance indicators, but additional alignment to identified areas of risk is needed. In addition, the Branch has begun to acquire the necessary financial control expertise to be able to regularly verify these risk areas, but an inability to fill all of the positions, as well as gaps in some of its tools and documented processes, are limiting the effectiveness of some of the Branch's monitoring activities. Taken together, these gaps affect RPB's ability to fully mitigate the risks related to the previous assurance work.
89. Similarly, the Branch has implemented monthly reconciliation activities to ensure that accurate operational and financial information is recorded in its systems. However, in some cases the activities lack approved procedures, and do not yet include appropriate analysis and follow-up of identified variances. Without analysis and follow-up, the Branch cannot be sure the various information systems contain reliable data.
90. The 2008-2009 cost audit was not yet complete at the end of our review. In addition, the audit approach for future years was still being developed. As a result, the OAE was unable to conclude whether the cost audits had fully addressed the risks related to the previous assurance work. However, the cost audits provide important, supplementary assurance of the accuracy of PWGSC's payments to the Service Provider, and will be an important part of the Department's demonstration that it has appropriately discharged its accountabilities going forward.

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91. In addition, we found that the annual audit of the Service Provider's statement of costs had been completed, as outlined in the Branch's management action plans. However, the audit was not yet being fully informed by other key control activities, and is not always clearly described in related process documents. By linking the various monitoring and reconciliation activities to the annual audit of the Service Provider's statement of costs, RPB will be able to identify higher areas of risk for the third-party auditor to examine.
92. We also found that, while the annual review and reconciliation of the service provider's audited statements of cost had occurred, it had not been done against PWGSC's and other government departments' central payment systems for all service types under the contracts. While property management services had been reconciled to PWGSC's central payment system (SIGMA), project delivery services and optional services had not. Similarly, the reconciliation of tenant requested project work did not include data from other government departments' central payment systems. By ensuring that the procedures for the annual review and reconciliation require the use of these systems, RPB will be able to better demonstrate its stewardship of public funds and that the Service Provider has been accurately paid.
93. The review concluded that implementation of the management action plans has been conducted without the opportunity to develop integrated or holistic solutions, and as a result, the solutions have not always been perfectly-aligned to the audit risks. Though it does appear that the Branch's contract administration controls over the AFD Service Provider have been improved, the OAE observed that a more integrated and comprehensive approach to key controls would benefit both the Branch and the Department, and further mitigate the risks identified by the previous assurance work. This is especially noteworthy in the context of the current procurement of the AFD contracts.

MANAGEMENT RESPONSE

The Real Property Branch (RPB) is in agreement with the recommendations in this report and will work with the appropriate stakeholders to implement actions in a timely manner.

Over the past three years, the Alternative Forms of Delivery (AFD) program has been audited extensively and the Branch has rigorously addressed the findings of both external forensic audits and internal reviews. The initiative has dealt with the challenge of addressing over 130 management action plan items while managing the day-to-day operations with the AFD Service Provider and responding to other audits, including cost audits and more recently the Office of the Auditor General audit on outsourcing building management services.

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Despite the challenges, the Branch has addressed most of the recommendations, including the main risk areas identified by previous assurance work related to the reconciliation of costs. We have recovered funds from the AFD Service Provider following negotiation and mediation, challenged unsupported expenses, which led to a reduction in invoicing for fiscal year 2013-14, and developed several new processes to exercise financial due diligence for third party statement of costs, work authorization, monitoring of the human resources plan, and others.

The AFD arrangements are successive examples of the Department's continuing transformation agenda, moving towards greater use of private sector capacities and the innovation it can bring to our delivery mechanisms. Over the last few years, the tolerance to risks within the federal government context has shifted significantly as government operations are placed under heavy scrutiny to demonstrate fiscal probity. Going forward, contract oversight will need to be balanced among risk, cost and materiality.

Steps have already been taken to assess and strengthen such level of oversight but need to be expedited given the in-service date of RP-1 (Real Property-1, the procurement process designed to replace the existing AFD contracts) on April 1, 2015, and the increased interest in doing more through RP-n mechanisms. The Branch is in the midst of creating a dedicated team with the main focus of developing and implementing an oversight framework that will take into consideration audit findings, government priorities, and risks and benefits associated with those mechanisms.

The branch continues to learn and realize the benefits of the increased oversight and strengthened monitoring controls, with the understanding that some risks may need to be accepted. While addressing the specific recommendations of this report, RPB has exercised due diligence for the existing contracts with the AFD Service Provider. Our focus and efforts are on the development of a comprehensive, integrated approach to appropriately address risk for the next generation of contracts.

Recommendations and Management Action Plan

Recommendation 1 (High Priority): The Assistant Deputy Minister, Real Property Branch should develop and implement a plan for an integrated approach to monitoring activities for the next generation of AFD contracts, including appropriate policies, processes and tools which are well aligned to identified financial management and control risks, and consider requirements for consistent application across all regions. The plan should consider additional integration of the Branch's quality monitoring reviews, Project Invoice Detail Report reviews and key performance indicators, as well as more robust tools, methodologies and capacity. The plan should also consider updates to monitoring tools that link to previously identified risk areas, as well as consistent application by Real Property Teams in all regions. As appropriate, this plan should consider application of these monitoring activities in other RPB sectors, so as to allow enhanced oversight methodologies to be applied to all service management models and Real Property investments within the Branch.

Management Action Plan 1.1: Since the contracting approach for the next generation of AFD contracts differs from the current one, RPB is currently defining the RP-n oversight by developing a comprehensive Oversight Control Framework. The Framework will define clear objectives and key performance indicators in alignment with the Corporate Real Estate Model, the Business Management Model, and the National Service Management Strategy. This framework will also include key components of control systems (control environment, risk assessment, control activities, communication/information) which will set the overall approach for the integration of monitoring activities.

Management Action Plan 1.2: RPB will use the identified gaps in control integration to create an implementation plan that establishes milestones, OPIs and timelines to address the integration of all monitoring activities.

Management Action Plan 1.3: RPB will further build on existing process maps, tools and standard operating procedures for oversight activities to ensure that the oversight tools and activities are well-aligned to all previously identified risk areas, that the tools renew the approach to financial risk mitigation, and that they are comprehensive, integrated and implemented nationally, ensuring consistency across regions.

Management Action Plan 1.4: RPB will develop an HR strategy that addresses required competencies and current gaps related to financial management and control, and leverages existing competencies residing in other departmental branches (e.g. Finance Branch).

Management Action Plan 1.5: RPB will develop a staffing and training program that supports and implements the HR strategy.

Management Action Plan 1.6: RPB will implement a new organizational structure in order to build capacity and to ensure the consistent application of monitoring tools and controls. This will continue to strengthen the oversight of the existing AFD contracts, and ensure sustainability and scalability to oversee future real property service management contracts.

Management Action Plan 1.7: RPB will develop and implement a change management strategy with associated communication plans that address the integration of monitoring activities in the branch.

Management Action Plan 1.8: RPB will finalize the procedure for the Financial Project Reviews. The purpose of this procedure is to strengthen RPB's practices and due diligence related to Financial Project Reviews. This is achieved by implementing an integrated approach to monitoring activities including appropriate processes and tools which are well aligned to identified financial

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management and control risks, and address the requirement for consistent application across all regions. RPB will also meet with the Finance Branch to explore opportunities to leverage their financial expertise.

Recommendation 2 (Moderate Priority): The Assistant Deputy Minister, Real Property Branch should enhance the monthly reconciliations of information systems by developing a process to guide the activity that includes follow-up and documented resolution of variances, as well as regular validation that the AFD Service Provider is conducting internal reconciliations of the Alternative Forms of Delivery Management System to cash receipts recorded in its internal financial system.

Management Action Plan 2.1: RPB will strengthen and finalize its monthly reconciliation process for both the expenditures and revenues collected, by including a follow-up of identified variances with the regions and documented resolutions.

Management Action Plan 2.2: RPB, in conjunction with the AFD Service Providers (SPs), will explore options for receiving regular confirmation of the SP's verification of data to ensure the inputs into AFDMS are valid, accurate and complete.

Recommendation 3 (Moderate Priority): The Assistant Deputy Minister, Real Property Branch should, in conjunction with the Assistant Deputy Minister of Acquisitions Branch, ensure that an appropriate cost audit strategy is developed for the remaining years of the contract, and that any adjustments identified in the current cost audits are followed up on in a timely fashion.

Management Action Plan 3.1: The Cost Audit Strategy, to perform cost audits for fiscal years 2012-13, 2013-14 and 2014-15 and for all eight contracts, has been established.

Management Action Plan 3.2: RPB will address the findings of the Cost Audits in a timely fashion. Any findings and/or areas of risk will be incorporated into the terms of reference for the remaining cost audits and other assurance work such as the third-party statement of cost and the monthly reviews performed by the AFD Service Management Coordination's Audit, Review and Evaluation Team. Cost Audit for 2012-13 is currently in progress.

Management Action Plan 3.3: Cost Audit for 2013-14 still to be performed.

Management Action Plan 3.4: Cost Audit for 2014-15 still to be performed.

Recommendation 4 (Moderate Priority): The Assistant Deputy Minister, Real Property Branch should ensure that the procedures established for conducting and reconciling to the annual audit of the Service Provider's statement of costs:

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- c. include provisions to feed business intelligence from monitoring and reconciliation activities to the third-party auditor, such that observed areas of risk are used to inform the third-party auditor's audit procedures; and,
- d. are sufficiently clear and detailed to allow the Branch to conduct a meaningful review and reconciliation.

Management Action Plan 4.1: Annually, RPB will direct the SP to make any necessary modifications to the terms of reference used to audit SP's statement of costs, based on business intelligence from RPB's monitoring and reconciliation activities.

Management Action Plan 4.2: RPB will communicate the areas of risk gathered throughout the year from various sources such as Costs Audits, Quality Monitoring reviews and the monthly reviews performed by AFD Service Management Coordination's Audit, Review and Evaluation Team to the contractor's third-party auditors for inclusion in their procedures for the annual audit of the SP's statement of costs.

Management Action Plan 4.3: RPB will document its established procedure for conducting and reconciling to the annual audit of the SP's statement of costs.

Recommendation 5 (High Priority): The Assistant Deputy Minister, Real Property Branch should further enhance the year-end reconciliation of the AFD Service Provider's actual expenditures (per the audited statement of costs) to actual amounts paid by PWGSC and other government departments, using common departmental financial data. These enhancements should:

- d. ensure that the year-end reconciliation between actual costs and amounts paid by PWGSC, per the common departmental financial system (SIGMA), includes all services under the contract (ie. property management, project delivery and optional services), and that differences are resolved in a timely manner;
- e. ensure that documented procedures are developed for conducting the year-end reconciliation to actual amounts paid according to PWGSC's common departmental financial system (SIGMA); and,
- f. develop options for engaging other government departments, at levels of sufficient seniority, to ensure both an appropriate understanding of the risks to other government departments' financial management controls and that the other government departments are provided the necessary information by Real Property Branch to perform reconciliations of their own tenant direct expenditures.

Management Action Plan 5.1: RPB will document its year-end reconciliation process between actual costs and amounts paid by PWGSC, per the common departmental financial data found in SIGMA that include all services under the contract.

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Management Action Plan 5.2: RPB will strengthen and finalize its year-end reconciliation process for both the expenditures and revenues collected by including a follow-up of identified variances with the regions and documented resolutions.

Management Action Plan 5.3: RPB sent a letter to tenant departments in January/February 2013 outlining responsibilities when authorizing tenant direct projects. The letter included a web link to a presentation providing additional information related to these projects.

Management Action Plan 5.4: RPB will develop and implement Memorandums of Understanding (MOUs) with tenant departments for the use of Tenant Direct projects and services, which will outline roles and responsibilities and financial obligations including year-end reconciliation. As the Department is in the final year of the existing AFD contracts, due to the time required to develop MOUs and obtain approvals, the MOUs will be signed for the new contracts coming into effect April 1, 2015. The MOU template will be aligned to the Statement of Work of the new contracts.

Management Action Plan 5.5: Annually, RPB will provide a report to each tenant department (using Tenant Direct) which shows Tenant Direct / Tenant-requested project financials as reported by the SPs at fiscal year-end. RPB will request validation of the information submitted by the SPs and any variances will be addressed in a timely manner.

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

The objective of this review was to determine whether the Real Property Branch (RPB) had sufficiently implemented the management action plans relating to the recommendations of the internal review (2009-806) and third-party audits (2010-715 and 2011-710) concerning financial transactions (expenses and revenues) submitted by the Alternative Forms of Delivery (AFD) Service Provider.

Scope and Approach

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

The review focused on assessing the status of implementation of the management action plans developed by RPB in response to the recommendations of the internal review (2009-806) and third-party audits (2010-715 and 2011-710). The review also focused on establishing whether management actions had addressed the issues that led to the recommendations, or senior management has accepted the risk of not taking action. The offices of primary interest for this review were the AFD and National Real Estate Services Sectors, RPB. Offices of secondary interest included Acquisitions Branch and Corporate Services and Strategic Policy 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 AFD Service Management Coordination and National Real Estate Services, RPB.

Criteria

The criteria for the review were as follows:

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- **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

Review fieldwork for this review was substantially completed on March 18, 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 engagement was reviewed by the quality assessment function of the Office of Audit and Evaluation.