



**2007-601**

**Final Report**

**Evaluation of the Crown Assets Distribution Program**

**Audit and Evaluation Branch**

**2008-05-02**



## Table of Contents

<b>Executive Summary .....</b>	<b>i</b>
<b>1. Introduction.....</b>	<b>1</b>
<b>2. Profile .....</b>	<b>1</b>
2.1 Authority .....	1
2.2 Background .....	2
2.3 Process .....	3
2.4 Resources .....	4
2.5 Logic Model.....	5
<b>3. Focus of the Evaluation .....</b>	<b>7</b>
3.1 Relevance .....	7
3.2 Success .....	7
3.3 Cost-Effectiveness/Alternatives.....	7
<b>4. Findings .....</b>	<b>8</b>
4.1 Relevance .....	8
4.2 Success .....	9
4.3 Cost-Effectiveness/Alternatives.....	15
<b>5. Conclusions.....</b>	<b>19</b>
5.1 Relevance .....	19
5.2 Success .....	19
5.3 Cost-Effectiveness/Alternatives.....	20
<b>6. Management Response .....</b>	<b>21</b>
<b>7. Recommendations and Management Action Plan .....</b>	<b>21</b>
<b>8. About this Evaluation.....</b>	<b>22</b>
8.1 Objective .....	22
8.2 Evaluation Methodology .....	22
8.3 The Planning Phase.....	23
8.4 The Assessment Phase .....	24
8.5 The Reporting Phase .....	24
8.6 Limitations of the Methodology .....	24
8.7 Project Team .....	24
<b>Appendices .....</b>	<b>25</b>
Appendix A: Categories of CAD Surplus Crown Assets and Seized Goods .....	25
Appendix B: Evaluation Matrix.....	26
Appendix C: Principal Documents Reviewed .....	30
Appendix D: People Consulted.....	32

## **Executive Summary**

### **What we examined**

Crown Assets Distribution (CAD) is part of the Acquisitions Branch of Public Works and Government Services Canada (PWGSC). CAD core functions include managing the contracting out aspects of the disposal program (including developing policy and procedures); providing strategic, procedural and technical advice to federal government departments, agencies and other organizations who use CAD services (referred to as “clients”); supporting government-wide consultations and related functions, including life cycle disposal advice; supporting Treasury Board policy development; and exploring ways and means to increase efficiency, reduce disposal costs and maximize the value of rebates to departments.

Federal organizations, with a few exceptions, must use CAD to dispose of moveable surplus Crown assets, which are moveable equipment and materiel no longer required or seized goods, ranging from ships, aircraft and cars to furniture, tools and clothing. Through direct sales, contracts with service providers or standing offers, CAD disposes of the assets through its eight regional distribution centres. Client departments and organizations notify CAD of their surplus assets and CAD then manages all aspects of the asset disposal, returning the net proceeds to the client once the items are sold. CAD receives \$1.3M from A-base funding and in 2006-2007, had \$14M in direct sales and rebated \$10M to government organizations.

### **Why it is important**

The disposal of Crown assets is the final stage in the life cycle management of federal assets. The Crown aims to dispose of these assets cost-effectively, while ensuring that a broad and transparent opportunity is made available to Canadians to purchase these assets. PWGSC received a \$2.4M A-base increase in 2004 to fund CAD’s core functions. Of this amount, \$1.7M was permanently transferred from the A-base of other government departments. This evaluation was conducted to ensure that the PWGSC disposal process is conducted with high quality service for its clients and sound stewardship for the benefit of Canadians.

### **What we found**

CAD is relevant and consistent with Government of Canada policies and priorities and addresses a continuing need of federal organizations and users. CAD disposal services support the federal government’s *Common Service Policy* and CAD’s mandate is consistent with PWGSC’s strategic objectives of good stewardship and ensuring best value for Canadians.

CAD provides quality services to clients. There is overall satisfaction with the service provided by CAD; however, some clients are not fully satisfied with commission rates and the resulting rebate amounts. This appears to be the result of clients not fully understanding CAD costs and practicing poor life cycle management. Clients are generally satisfied with the contracting out services and previous studies indicated that the process is working well.

**2007-601 Evaluation of Crown Assets Distribution Program  
Final Report**

---

CAD is fair, transparent and conducts its program with integrity. While there are small levels of public dissatisfaction with the equality of the bidding process, this is limited to the level of detail being provided on the sale items and the size of the lots.

CAD provides open access and opportunity to the public to purchase surplus materiel assets. Those attending the sales and the CAD website are satisfied with the bidding process.

CAD conducts disposal practices with regard to ensuring safe environmental practices.

There is evidence that CAD is the most cost-effective and appropriate means of disposing of moveable surplus Crown assets. Financial figures indicate that this centralized disposal service has resulted in increased revenues and decreased costs, ensuring best value for the Crown, and creating efficiencies.

The addition of a real-time online bidding system would reach a broader range of buyers, open up the bidding process which could result in higher sale prices and returns for clients. We found that a system where the bid amounts are visible and not sealed, and that enabled potential purchasers to bid as the amount changed during the bidding, could generate increased sale prices and more revenue.

CAD has an established, centralized system and expertise that could help federal organizations develop alternative systems to undertake transfers between departments and donate surplus to charities, as is already established in the *Directive on Disposal of Surplus Materiel*.

## **Management Response**

Acquisitions Branch accepts the evaluation findings and intends to act on the recommendations of the evaluation by implementing their Management Action Plan detailed as follows.

## **Recommendations and Management Action Plan**

Based on key findings and conclusions contained in this report, the Audit and Evaluation Branch recommends that the Assistant Deputy Minister, Acquisitions Branch, ensure that the Crown Assets Distribution Program address the following recommendations.

**Recommendation 1:** Develop measures to regularly assess client and public satisfaction with CAD services, the effectiveness of contracting services and direct sales, and public access to CAD sales.

**Action Plan:** CAD is committed to regularly assessing the perceptions of its stakeholders (OGDs and the general public) with regard to the quality of services specifically effectiveness, responsiveness, accessibility, fairness and transparency. Through a formal mechanism of annual surveys and interviews similar to those conducted by this program evaluation exercise, CAD will keep a “thumb on the pulse” of its clients and customers.

**2007-601 Evaluation of Crown Assets Distribution Program  
Final Report**

---

**Timeline:** Interviews and surveys conducted between Feb – March 2009. Results analysis completed by April 30, 2009.

**Recommendation 2:** Explore enabling technologies, such as real-time online bidding systems, to expand accessibility of CAD sales to a wider public audience and seek possible efficiencies and increased revenues.

**Action Plan:** CAD will examine the feasibility of implementing an automated on-line bidding system that will allow customers to bid electronically for goods on-line. This on-line bidding will provide greater access to assets being sold by CAD and will improve on the rebates provided to custodian departments.

**Timeline:** Feasibility study to be completed by October 2008. Based on favourable feasibility, implementation scheduled for April 2009.

**Recommendation 3:** Assist government organizations to better understand the life cycle management of Crown assets, especially the final disposal phase, to increase the saleability of assets and achieve better returns.

**Action Plan:** The PWGSC marketing and communications group is currently developing a marketing and communications package for CAD which will contain material (hard copy and electronic) specifically targeted to the materiel management community including tips and best practices on how to better manage the disposal of surplus assets in order to maximize returns.

**Timeline:** Marketing and communications package completed by October 2008. Informing government organizations of proper processes and best practices to better manage surplus assets begins November 2008 and continues as ongoing.

**Recommendation 4:** Explore the development of a government-wide internal transfer program to facilitate and increase transfers of moveable surplus Crown assets between federal organizations and provincial and municipal governments, as supported by the current *Directive on Disposal of Surplus Materiel*.

**Action Plan:** CAD will explore options to providing a government-wide internal transfer program for moveable surplus assets.

**Timeline:** December 2008.

**Recommendation 5:** Explore the development of a government-wide electronic notification system to offer low value or non-saleable moveable surplus Crown assets to recognized charitable or non-profit organizations, if such assets could appropriately be used by such organizations.

**2007-601 Evaluation of Crown Assets Distribution Program  
Final Report**

---

**Action Plan:** CAD will explore options to providing a government-wide electronic notification system to offer low value or non-saleable moveable surplus Crown assets to recognized charitable or non-profit organizations.

## **1. Introduction**

This report presents the findings of the evaluation of the Crown Assets Distribution (CAD) Program. The Audit and Evaluation Committee at Public Works and Government Services Canada (PWGSC) approved the conduct of this evaluation as part of the 2007-2008 to 2009-2010 PWGSC Risk-Based Multi-Year Audit and Evaluation Plan.

The evaluation assessed the relevance and cost-effectiveness of the CAD Program and the extent to which it is successful in meeting its objectives.

The Program is part of the Acquisitions Branch in PWGSC. CAD's mandate is to manage the government's disposal program, providing quality service, while obtaining the best value. CAD clients include federal government departments, agencies and other federal bodies as defined in Schedule I of the *Financial Administration Act*. They also include other organizations not required to use CAD but with whom CAD has a Memorandum of Understanding, such as the Ottawa Police Services Board. As noted in section 4.14 of the Treasury Board *Directive on Disposal of Surplus Materiel*, "PWGSC must ensure that as broad and as transparent an opportunity as possible is made available to Canadians to purchase these assets." CAD sale methods include tenders, public sales and auctions conducted by service providers.

## **2. Profile**

### **2.1 Authority**

Under the 1996 *Department of Public Works and Government Services Act*, PWGSC operates as a common service organization responsible for the provision of asset-related common services including disposing of goods on behalf of departments. The Treasury Board *Common Services Policy* provides for the disposal of moveable surplus Crown assets as a mandatory service provided by the PWGSC common service organization Crown Assets Distribution. CAD derives its authority from the *Surplus Crown Assets Act*, which stipulates that federal departments and other bodies ask the Minister of PWGSC to dispose of their surplus assets.

With a few exceptions, the federal organizations listed in Schedule I of the *Financial Administration Act* are required to use CAD services. The largest and most distinct user of the Program is the Department of National Defence that disposes of special items (such as vehicles, vessels and aircraft), machinery, tools, office furniture, household furnishings, appliances and other assets. Some items, such as guns, ammunition and firearms, are not sold to the general public. Based on 2006-2007 business volumes, other significant users include:

- |                                |                                      |
|--------------------------------|--------------------------------------|
| • Agriculture Canada           | • Indian and Northern Affairs Canada |
| • Canada Border Service Agency | • National Research Council          |
| • Correctional Service Canada  | • Natural Resources Canada           |
| • Environment Canada           | • PWGSC                              |
| • Fisheries and Oceans         | • Royal Canadian Mounted Police      |
| • Health Canada                | • Transport Canada                   |

## 2007-601 Evaluation of Crown Assets Distribution Program Final Report

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The Treasury Board *Directive on Disposal of Surplus Materiel* indicates that federal organizations selling surplus materiel must use the disposal services of CAD or any standing offers or contractual arrangements put in place by PWGSC (with some exceptions). It stipulates that PWGSC must endeavour to optimize the roles of the private sector in the disposal of assets and ensure that “as broad and as transparent an opportunity as possible is made available to Canadians to purchase these assets.” This Directive took effect on November 1, 2006, after a substantial revision of the former *Directive of Surplus Moveable Crown Assets*, dated February 2000. The revised Directive details how departments are to dispose of surplus Crown assets, including:

- Transferring them to other federal organizations;
- Donating them to charity;
- Converting them to waste; or
- Selling them through CAD.

According to section 4.4(d) of the Directive, sales through CAD are only when “gratuitous transfer, donation, conversion to waste or other means of disposal is not practical, feasible or economical.”

Completing the authorities on Crown assets, the Treasury Board *Directive on Management of Materiel* describes the life cycle management of Crown assets, including the development of disposal strategies. Materiel is to be managed in a sustainable and financially responsible manner that supports the cost-effective and efficient delivery of government programs. As part of the materiel life cycle, assets are to be disposed of in an environmentally responsible manner consistent with the principles of sustainable development.

## 2.2 Background

Created in 1944 as the War Assets Corporation, the staff and activities of what became known as the Crown Assets Disposal Corporation were integrated into the Department of Supply and Services in 1984. Now known as Crown Assets Distribution, it is a function within the Acquisitions Branch of PWGSC.

During the past two decades, a number of studies and assessments of the Program were undertaken as part of a program review and to respond to concerns about the Program. As a result, changes were made to both the Program and the government’s disposal policies and guidelines. One important change was a move from a strictly commission-based cost-recovery funding model to a vote-netted formula based on the permanent transfer of A-base funds from 13 client organizations to the CAD Program. As a result, CAD surplus from direct sale commissions are rebated to contributing departments.

In addition, vehicle remarketing contracts were initiated under National Master Standing Offer arrangements and their use was made mandatory (except in certain circumstances, such as remote locations). CAD personnel administer the standing offers, although client departments declare vehicles surplus directly to regional private sector auctioneers. These companies make



the vehicles available to the public in regular auctions and returns are reported to CAD on a quarterly basis.

Operational changes were also made to reduce service delivery costs. These measures were intended to offset the funding implications of the loss of high value sales to external contractors and ensure the financial viability of the organization into the foreseeable future. The changes included:

- Closing a number of regional CAD warehouses and reducing associated staff;
- Creating an arrangement with the BC Government Asset Investment Recovery program whereby all assets normally declared surplus to CAD would be disposed of through the BC program;
- Using auctioneers in the western region to dispose of a range of assets; and
- Implementing the Crown Assets Support System 2000 (CASS2000) to allow clients to input Reports of Surplus directly online, facilitate asset tracking, management and sales, as well as automated report production.

CAD core functions include:

- Managing the contracting out aspects of the disposal program (including developing policy and procedures);
- Providing strategic, procedural and technical advice to clients;
- Supporting government-wide consultations and related functions, including life cycle disposal advice;
- Supporting Treasury Board policy development; and
- Exploring ways and means to increase efficiency, reduce disposal costs and maximize the value of rebates to departments.

CAD also provides clients with disposal services of moveable surplus materiel and seized goods through direct sales, contracts with service providers, standing offers or destruction. CAD has eight regional distribution centres, located in six regions:

- |                                 |                                        |
|---------------------------------|----------------------------------------|
| • Surrey, BC (Pacific Region)   | • Mississauga, ON (Ontario Region)     |
| • Edmonton, AB (Western Region) | • Ottawa, ON (National Capital Region) |
| • Regina, SK (Western Region)   | • Montreal, QC (Quebec Region)         |
| • Winnipeg, MB (Western Region) | • Dartmouth, NS (Atlantic Region)      |

The Centres also act as agents for foreign governments in the sale of their surplus assets located in Canada and have working arrangements with certain European governments for the disposal of Canadian military surplus located in their countries.

## **2.3 Process**

Federal organizations notify CAD of their surplus assets by filling out a Report of Surplus form and sending it to the nearest CAD Centre. CAD then manages all aspects of asset disposal

**2007-601 Evaluation of Crown Assets Distribution Program  
Final Report**

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including organizing the sales, arranging for viewing, conducting sales, evaluating bids, receiving money, handling all sales-related inquiries and returning the net proceeds to clients. Once the item is sold, the client receives the net proceeds from the sale and a transaction report. CAD receives a commission rate for the sale; rates are set by the Treasury Board for furniture, low value assets and special sales, while rates for some special items can be negotiated directly with the client.

The sale methods include tenders (offer to purchase), public sales conducted at CAD Centres or client sites and auctions conducted by service providers. Items consist of moveable equipment and materiel no longer required or seized goods, ranging from ships, aircraft and cars to furniture, tools and clothing. For a complete list of the categories available, see Appendix A. Sales are generally held monthly and are advertised in local or national media and on the CAD website, noting details of the location, inspection times and items for sale. The website includes photographs and descriptions of most items.

It is determined at the CAD Centres which items should be grouped together for sale into lots (although departments may indicate preferences) and the value of the goods for sale. For specialized or high value items, such as works of art, field-specific experts may be consulted. Some items or lots considered to have significant market value are given reserve (minimum) bids. Bids can be placed in person or by fax by any individual, organization, business or government body in Canada and abroad. Following the closing date of the sale, bids are opened and evaluated. Once successful bidders have been notified and made full payment, they must arrange to remove the purchased goods within a prescribed period of time. All materiel is sold “as is, where is” with no warranty and all sales are final.

## **2.4 Resources**

CAD is funded through a vote-netted formula. In 2004, PWGSC received a \$2.4M budget allocation to fund CAD’s core functions, as well as the Program's share of corporate costs, accommodation costs and employee benefits. \$1.7M of the allocation was permanently transferred from the allocation of other government departments.

For 2006-2007, CAD had \$14M in direct sales and rebated almost \$10M to government departments and agencies. CAD’s net revenue from direct sales for 2006-2007 was \$3.7M; the expenses related to sales totaled \$3.6M. Sales were up approximately 25% from 2005-2006, with rebates up 36%. The commission amounts earned by CAD have increased each year since 2002-2003, with \$4M being received in 2006-2007, an 8% increase over 2005-2006. See Table 1.

Table 1: CAD Sales, Commissions and Rebates for 2005-2007

	<b>2005-2006</b>	<b>2006-2007</b>	<b>Variance</b>
Sales	\$11,233,499	\$14,052,486	+ \$2,818,987
Commissions	\$3,432,347	\$3,698,035	+ \$265,688
Rebates	\$7,324,799	\$9,988,827	+ \$2,664,028

Source: CAD Directorate

**2007-601 Evaluation of Crown Assets Distribution Program  
Final Report**

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In 2006-2007, CAD managed \$41M in direct and contracted out sales, up from \$34M in 2005-2006 and \$32M in 2004-2005. Sales conducted through the National Master Standing Offer and other service contracts are not a source of funds for CAD. The contractors are paid a commission by the department selling the goods and the resulting net revenues are returned to the department.

The departments with the top five sales amounts in 2006-2007 were National Defence (34%), Transport Canada (10%), Indian and Northern Affairs (10%), PWGSC (10%) and Fisheries and Oceans (7%). The top five selling commodities in 2006-2007 were vehicles (18%), scrap metal (15%), heavy equipment and machinery (10%), ships and accessories (7%) and weapons and ammunition (5%).

In 2006-2007, CAD operating costs were \$3.6M, down from \$3.7M in 2005-2006. These costs include salaries, benefits, regular operating expenses (such as removal and relocation, communication services, rentals, repairs and maintenance) and professional services (temporary help and consulting services). Costs to run the public sales are paid through the commissions received from the sale proceeds.

CAD has 38 permanent staff, but staff levels can fluctuate up to approximately 43 with part-time and temporary staff, who are hired as needed.

## **2.5 Logic Model**

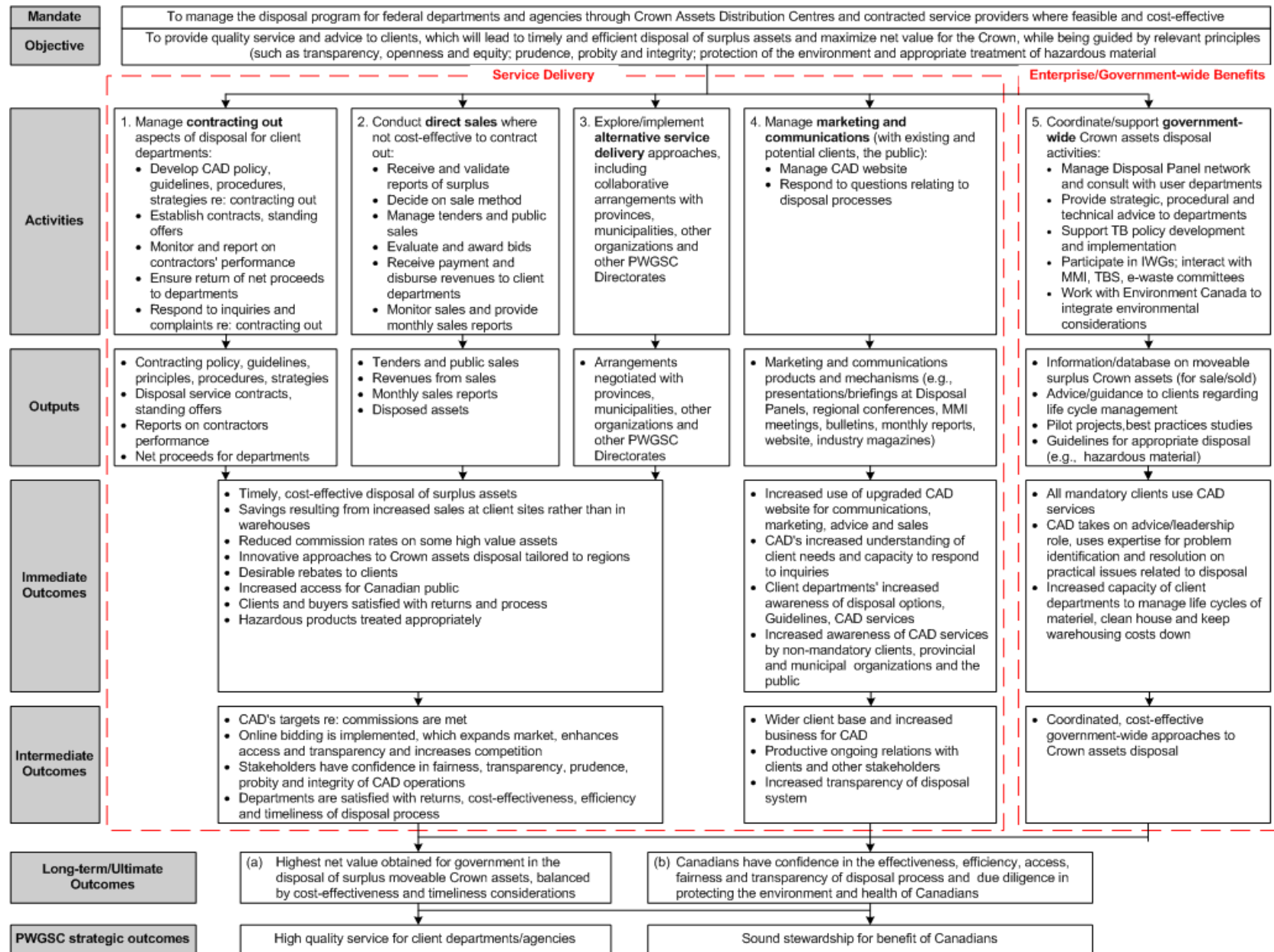
A Logic Model is an essential tool in conducting an evaluation study. It shows concisely the logic of how a program, policy or initiative expects to achieve its objectives. Generally, a Logic Model graphically displays the linkage and causal connections between the program's activities that are supported by inputs and the different levels of results—including outputs, strategic outcomes (immediate and intermediate) and ultimate outcomes (or long-term results).

The CAD Logic Model presented in Table 2 illustrates how the activities contribute to the achievement of the stated objective and desired outcomes. This Logic Model is based on a document review, interviews and meetings with CAD staff.

CAD conducts service delivery activities that include managing contracting out services, conducting direct sales, exploring alternative service delivery and marketing/communicating with clients and the public. As an enterprise/government-wide benefit, CAD coordinates and supports government-wide Crown assets disposal activities.

## 2007-601 Evaluation of Crown Assets Distribution Program Final Report

Table 2: Logic Model of the Crown Assets Distribution Program



### **3. Focus of the Evaluation**

The evaluation assessed the relevance and cost-effectiveness of the CAD Program and the extent to which it is successful in achieving its objectives. The Evaluation Matrix, including evaluation issues, questions, indicators and data sources, was developed during the planning phase. It is in Appendix B. More information on the approach and methodologies used to conduct this evaluation are in Section 7: About this Evaluation.

#### **3.1 Relevance**

**Evaluation Issue:** Is the Crown Assets Distribution Program consistent with government policies and priorities and does it address a continuing need?

*Evaluation Questions:*

1. What GC policies and priorities and what PWGSC strategic outcomes are supported by a centralized service for the disposal or distribution of moveable surplus Crown assets?
2. Is there an ongoing need for a centralized service for the disposal or distribution of moveable surplus Crown assets, such as is now provided through CAD's mandate?

#### **3.2 Success**

**Evaluation Issue:** Is the Crown Assets Distribution Program successful in achieving its intended outcomes?

*Evaluation Questions:*

1. Has CAD provided quality service to client departments? How satisfied are client departments with timeliness, returns and rebates, advice and guidance, commission rates and contracting out services?
2. Do internal and external stakeholders have confidence in the fairness, transparency, prudence, probity and integrity of CAD's approach to disposal/distribution of surplus Crown assets?
3. To what extent has CAD succeeded in ensuring open access/opportunity for Canadians to know about and purchase surplus Crown assets?
4. To what extent has CAD succeeded in ensuring protection of people's health and safety and the environment through appropriate disposal practices (e.g., with respect to hazardous goods and e-waste)?
5. Have there been any unexpected outcomes attributable to the CAD program?

#### **3.3 Cost-Effectiveness/Alternatives**

**Evaluation Issue:** Is the Crown Assets Distribution Program cost-effective and are there possible alternative arrangements for delivering CAD services?

*Evaluation Questions:*

1. Are CAD services cost-effective from a government-wide perspective?
2. Are there more cost-effective alternative arrangements for delivering on the CAD mandate?
3. What has been learned about possible alternative arrangements from the different business models used in the regions—with respect to contracting out to or partnering with, the private sector, and collaboration with or outsourcing to, a provincial government?

## **4. Findings**

Our findings with respect to the evaluation are presented below.

### **4.1 Relevance**

#### **4.1.1 CAD Program is consistent with PWGSC and GC policies and priorities**

As discussed in Section 2, the *Surplus Crown Assets Act*, the *Directive on Disposal of Surplus Materiel* and related policies mandate that government departments and agencies use CAD services to dispose of surplus Crown assets, and provide guidelines and details on government roles and responsibilities. These authorities are consistent with government-wide common services initiatives, as provided for in the *Common Services Policy*. CAD's mandate is consistent with PWGSC's strategic objectives of good stewardship and ensuring best value for Canadians.

#### **4.1.2 CAD meets the ongoing needs for a centralized disposal service**

A series of studies of the CAD Program have been undertaken over the past ten years, contracted both by the department and Treasury Board. The independent non-governmental organizations who undertook these studies conducted extensive assessments and delivered neutral, independent reports. The studies examined the relevance and ongoing need for a centralized disposal service such as CAD. They found that the materiel management community supported the continued existence and mandate of CAD, especially with respect to low value assets. The reasons included capacity limitations in departments (especially smaller ones) and CAD's value-added role in providing advice to clients, while supporting government-wide consultations and policy development. An assessment of departmental pilot projects conducted in the 1990s tested alternative approaches. For a complete list of the studies consulted, see Appendix C.

During the course of this evaluation, headquarter and regional CAD managers indicated in interviews that the Program is a centralized service that provides efficiencies, economies-of-scale and consistency. They indicated that CAD is a repository of corporate knowledge and a valuable source of advice, especially for organizations lacking detailed knowledge of disposal procedures. They indicated CAD provides a needed service with respect to low value assets in which private sector vendors have no interest and, for the public, a single point of access to the sale of government assets.

Client interviews, along with a client survey sent to 116 persons in 79 client organizations that received 51 responses (44%), indicated overwhelming agreement of client organizations (all those interviewed and 86% of survey respondents) that there is continuing relevance and a need for CAD. A range of reasons were offered:

- Consistency in disposal practices across government;
- Efficiencies and gains in having sales centralized (58% of survey respondents said CAD reduced costs for their department);
- CAD's expertise and advice (76% of survey respondents said CAD provided a capacity not available in their department);
- CAD's capacity to handle difficult situations and remove the administrative burden and risk from clients (such as safety concerns);
- CAD's marketing edge due to its capacity for advertising and projecting the Government of Canada label;
- Improved transparency and equality, especially regional, when CAD—perceived as a neutral third party—managed sales;
- Responsiveness because of proximity to clients in the regions; and
- Broader public access and greater transparency.

A few clients raised the importance of using CAD to maintain Government of Canada standards, manage issues that might embarrass the government and ensure the “Government of Canada” brand on the assets.

Overall, our findings indicate that there is an ongoing need for a centralized disposal service and that CAD meets that need.

## **4.2 Success**

### **4.2.1 CAD provides quality service to clients**

Client organizations were asked in interviews and a survey about their level of satisfaction with CAD services, including:

- Timely disposal and timely removal of assets;
- Returns and rebates to clients;
- CAD commission rates;
- Contracting out services; and
- Advice and guidance.

While all clients were asked about low, high and special value assets, only a small number of the clients who responded use CAD services to dispose of high and special value assets. Therefore, the response rates for high and special value assets were too low to be used to generalize to the overall client population.

### **Timely Disposal and Timely Removal of Assets**

Interviews indicated general satisfaction with timely disposal of surplus assets. Factors cited by both CAD managers and clients as contributing to timeliness included CAD's monthly warehouse sales, timely guidance regarding local destruction and CAD's preparedness to promptly remove items when there was an urgent need.

In the regions, some CAD managers and clients expressed reservations regarding the timeliness of both disposal and removal. Managers were concerned with the difficulty of disposing of low value items, especially at peak seasonal times, and the unrealistic expectations of some clients unfamiliar with the disposal process. Clients were concerned with the impact of a reduction of warehouses and a greater impact on departments to plan to store assets until they were sold. Clients also noted a delay in removal of assets when buyers delayed in picking up their purchases. This was reflected in the survey results, with only 44% of clients indicating satisfaction with the timely removal of low value assets. However, 75% were satisfied with timely disposal of low value assets.

Overall, our findings indicate that clients are satisfied with the timely disposal of assets, but less satisfied with timely removal of assets.

### **Returns and Rebates to Clients**

CAD Program managers and regional personnel agreed that clients were generally satisfied with returns and rebates, though less so for low value assets. One regional manager noted that clients had become more accustomed to the value of recycling and realized that there would not always be rebates. Clients were satisfied with the return and rebate process. The survey showed only 38% satisfaction with rebates for low value assets.

Some clients suggested that rebates could increase if CAD were to establish relationships with hospitals, universities, municipalities and provinces, to increase the client base for sales. While government departments have the authority to transfer moveable Crown assets to federal organizations, provincial and municipal governments and other authorized organizations, clients indicated there is currently no centralized system in place and they lacked the knowledge on how to implement such a system. Some clients noted that CAD was well-positioned with its current centralized role and expertise in disposal to lead the initiation of a government-wide transfer system.

### **CAD Commission Rates**

Interviews indicated that some clients found commission rates acceptable, while others felt they were too high and did not reflect CAD's level of effort, especially with items sold at client sites. Some felt that special consideration should be given to disposals for highly decentralized departments or for remote sites. A number of clients favoured more flexible commission rates. From the survey, there was only 38% satisfaction with commission rates for low value assets.



While our findings indicate that clients are not fully satisfied with commission rates, we found that there are two factors that impact this dissatisfaction. The first is that clients did not appear to be fully aware of the overhead costs and non-revenue generating activities associated with the work done by CAD. CAD must take these costs into consideration when determining commission rates. The second is that some clients are practicing poor asset life cycle management, especially at the disposal stage. This results in items that are no longer in a condition to be sold being sent to CAD. These items are not being sent early enough in the life cycle and are too old, outdated or damaged to be sold at the best value and to obtain appropriate returns for the Crown. This was particularly the case with low value assets such as office furniture. It also included outdated scientific equipment, vehicles and other equipment. In addition, we were informed that the used furniture market is frequently saturated, making it difficult to achieve high returns from sales. There was some recognition from clients that CAD would not be able to obtain high sale prices on goods that were old, in poor condition or being sold in a saturated market. While courses have been made available to address previous issues raised about poor life cycle management, this continues to be a problem impacting on disposal sale results.

### **Contracting Out Services**

According to clients, contracting out services were not the same across the regions and clients had varying levels of satisfaction. CAD personnel noted that success with contracting can depend on the contractors and regional cultures. For example, the use of auctioneers in the West worked well due to the regional popularity of auctioneers; however, this resulted in a lower availability of auctioneers.

Some major clients in the West were satisfied with the National Master Standing Offer and working with auctioneers, though they found their commission rates high and that service providers had a reluctance to take on low value items. Others felt it worked only for large departments with the staff to do the back-end work. In BC, some clients were dissatisfied with the standing offer arrangement for vehicles and would prefer to use the BC Asset Investment Recovery program. In the Atlantic region, some clients would prefer to go through CAD instead of using the standing offers. In Ontario, while clients seemed to accept the arrangement, some would prefer to go through CAD because they believed CAD would get better value. However, from the survey, the satisfaction rate for contracting out services was 67% and for the National Master Standing Offer returns it was 64%.

CAD personnel noted that CAD was sometimes placed in the role of trying to resolve issues and enforce contract terms between clients and contractors. With regard to the standing offer, a few questions were raised as to its transparency, effectiveness and benefit (revenue), with suggestions that it should be re-evaluated and made non-mandatory.

Overall, we found that clients are generally satisfied with the contracting out services and how CAD is managing the process. While there are some complaints and a few suggestions that CAD might obtain better value for items currently being contracted out, no evidence was collected during this study to enable an assessment of this claim. Currently, the Treasury Board *Directive*

*on Disposal of Surplus Materiel* mandates that departments must use remarketing standing offers or other contractual agreements put in place by PWGSC.

### **Advice and Guidance**

In interviews, clients stated they valued CAD's expertise and knowledge in setting up standing offers and advice on when to use them. They found CAD staff accessible and responsive to their questions. The survey results indicated a 92% satisfaction rate with CAD advice.

#### **4.2.2.a. Clients have confidence in the fairness and transparency of CAD services**

Clients were questioned in both interviews and the survey as to their confidence in CAD's fairness, transparency, prudence, probity and integrity. All interviewees agreed that they had confidence in each of these elements of CAD. All client organizations expressed confidence in CAD for its ethical practices and consistency in following proper procedures, including good accounting and reporting practices. In the survey, 86% agreed that CAD operated with transparency, good judgment and honesty, while 84% agreed they operated with integrity and 79% with fairness. Some clients observed that they felt the public could be made more aware of CAD.

#### **4.2.2.b. Public has confidence in the fairness and transparency of CAD services**

The public survey asked three questions on the fairness, transparency and equal opportunity of CAD public sales. Overall, 72% responded that sales were conducted fairly, 63% that the process was transparent and 67% that there was equal opportunity for all bidders. However, responses from the web portion of the survey were slightly lower than the overall responses: 61% responded that sales were conducted fairly, 53% that the process was transparent and 57% that there was equal opportunity for all bidders.

#### **4.2.3 CAD provides open access and opportunity for the public to purchase surplus Crown assets**

##### **Publicly Accessible Information**

The public can access information about surplus Crown assets and notification of sales through the regional Centres and CAD's website. The website received on average over 70,000 hits per month in 2007, up from 15,000 in 2002. Information about the sale items is posted on the CAD website, generally with photographs and descriptions. CAD sales are also advertised in local and national newspapers and, depending on the items, in specific trade journals or publications. CAD public sales are usually held monthly, with specified times for viewing the sale items at CAD locations.

From the public survey, 40% said public access to information about sales of surplus goods could be improved and 23% said it did not need to be improved.

**2007-601 Evaluation of the Crown Assets Distribution Program  
Final Report**

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## **Convenient Access**

There was a difference in responses from the on-site and web surveys regarding the locations and times of sales. While 91% of the site respondents found the locations convenient, only 40% of the web respondents agreed. The same difference was noted with sale times, where 89% of site respondents found the times convenient, but only 50% of the web respondents agreed. The results for these questions do not add up to 100 as respondents tended to leave the question blank if they did not check “yes”. Also, we cannot determine how many site respondents may have also responded to the web survey. Comments on the web survey noted that locations were too far from the respondents, especially those in rural areas, other cities and who were unable to drive several hours to the sales. There were comments in all of the surveys about having sale locations open longer (or later) hours and on Saturdays. See Table 3 for results by survey location.

Table 3: Public Opinion on the Convenience of the Location and Times

	Yes			No		
	Web	Ottawa	Montreal	Web	Ottawa	Montreal
Is it convenient to get to Government-run warehouses	40%	92%	88%	34%	7%	6%
Are sales held at convenient times at Government-run warehouses?	50%	87%	93%	18%	9%	3%

## **Bidding Process**

Public survey respondents were asked six questions on their level of satisfaction with the bidding process, including questions on the process itself, the condition of the items and the grouping of articles in lots. Overall, the results indicated 64% satisfaction with the CAD bidding process and 14% dissatisfaction. See Table 4 for detailed results.

There was 76% satisfaction with the sale information being posted with sufficient notice before the sale. Web respondents had lower satisfaction and higher dissatisfaction than the site respondents.

As to clear instructions on how to submit an offer to purchase, overall 80% were satisfied, including 27% of web respondents who were strongly satisfied.

The highest levels of dissatisfaction were regarding the details on the condition of the items for sale, which were considered not satisfactory in 31% of the overall results, compared to only 44% overall satisfaction. The web respondents were more dissatisfied and 16% were strongly dissatisfied. There were numerous comments requesting better pictures on the web, better overall descriptions and information on the working state of the items.

The second highest levels of dissatisfaction were regarding the lot sizes, which were considered dissatisfactory in 25% of the overall results. While 53% of the site respondents were satisfied,

**2007-601 Evaluation of the Crown Assets Distribution Program  
Final Report**

only 43% of the web respondents were. There were numerous comments that lot sizes were too large.

There was 65% overall satisfaction with information on previous winning bids. Notification in a reasonable time as to the successfulness of the bid was satisfactory for 68% of respondents.

Our findings indicate that information about CAD is publicly accessible, but that it could be improved. Survey satisfaction with sale locations and times is from those who were able to attend and does not reflect the views of those who could not attend due to inconvenient locations and times. The results and comments from the web survey respondents show that there is not broad public access to the sales. While there is general satisfaction with the bidding process, there is some dissatisfaction with the level of detail available on the items for sale and the lots sizes. Increasing the detail and decreasing the lots sizes could result in higher returns.

Table 4: Public Survey Satisfaction with CAD Services—Overall Responses

<b>How satisfied or dissatisfied are you with the following aspects of the bidding process?</b>					
	Strongly satisfied	Satisfied	Neither satisfied nor dissatisfied	Dissatisfied	Strongly dissatisfied
Information about the sale is posted with sufficient notice before the sale.	18%	58%	15%	5%	1%
Instructions are clear on how to submit an offer to purchase.	21%	59%	11%	5%	1%
There is sufficient detail on the condition of the items available for sale.	8%	36%	23%	25%	6%
The grouping of articles in lots is reasonable.	4%	46%	23%	19%	6%
There is sufficient information about the previous sale winning bids.	12%	53%	19%	11%	2%
I was notified in a reasonable time that my bid was successful.	20%	48%	22%	3%	1%

#### **4.2.4 CAD practices safe disposal with regard to environmental issues**

The Treasury Board *Policy on the Management of Materiel* indicates that department deputy ministers must ensure environmentally responsible disposal and that they can seek advice from Environment Canada and the Canadian Environmental Assessment Agency. CAD personnel have become pro-active in this area, inserting clauses in documentation relating to sales of items for which health and safety issues need to be considered. They also provide clients with advice on issues such as electronic waste, controlled goods and chlorofluorocarbons (CFCs). At times, they have advised clients to destroy products rather than reselling them and directed clients to proper disposal facilities.

Clients were asked to what extent CAD had ensured health and safety through safe environmental disposal practices. 75% believed that CAD had good to excellent knowledge of safe disposal practices. None were aware of any incidents relating to unsafe practices in disposal of Crown assets in the past five years and 92% were not aware of any products that should be included in policies regarding health and safety, but were not. While 82% indicated they did not receive advice and guidance from CAD on procedures to ensure health and safety in the disposal process, 78% indicated they did not need such advice.

Our findings indicate that CAD is practicing safe disposal with regard to environmental issues.

#### **4.2.5 CAD had unintended outcomes**

CAD personnel noted several unexpected positive outcomes in various regions. In the National Capital Region, CAD was able to step in at the last minute to help departments with urgent disposal problems, averting potential costs to transport and temporarily store assets. In British Columbia, the returns from the eBay style real-time bidding system have been higher than expected.

These unexpected outcomes indicate CAD's success even when it is stepping in to remedy a department's poor life cycle management. The higher returns from using the Internet demonstrate the potential success from increasing use of Internet technologies.

### **4.3 Cost-Effectiveness/Alternatives**

#### **4.3.1 CAD services are cost-effective**

According to CAD briefing documents, the guiding principles of the Program are to achieve the best value, balanced against service delivery and cost, with a particular focus on the timeliness of removal, which is often of great importance to clients. To achieve this, CAD has undertaken various initiatives to reduce operating expenses and increase revenues. This includes pursuing joint efforts with provinces, municipalities and other organizations to improve efficiency, work within available systems and reduce costs. Examples include:

- In the Pacific Region, CAD entered into an agreement with the BC Government's Asset Investment Recovery Program to dispose of assets normally handled by CAD;
- In the National Capital Region, agreements were negotiated with NAV CANADA to sell its surplus assets and with the Ottawa Police Service to sell unclaimed stolen or lost property;
- Contracting out arrangements have been established for remarketing high value items such as vehicles through private sector standing offers; and
- Operating costs have been brought down by closing warehouses and reducing associated staff, maturing the CASS2000 data system and using the web to support sales.

As a result of these changes, the CAD Program budget fell from \$7.35M in 1999-2000 to a forecast \$3.63M in 2007-2008. In the same period, staff levels were reduced from 76 to 38. CAD's direct sales fluctuated, dropping from \$17M in 1999-2000 to \$10M in 2003-2004, but

rising to \$14M in 2006-2007. CAD managed sales (including the National Master Standing Offer and the British Columbia sales) increased from \$30M in 2003-2004 to \$41M in 2006-2007. The increased revenues and efficiencies have resulted in two years of surpluses from sales that have been returned as special rebates to major clients, over and above regular proceeds of sales (about \$700K/year). Commission rates have been adjusted to better reflect costs.

Additional ways in which CAD contributes to best value for the Crown were noted in interviews with both regional managers and clients:

- Centralization creates efficiencies, permits more frequent sales and reduces labour and advertising costs;
- Use of the Internet broadens the reach of sales to potential buyers, enabling CAD to host a virtual warehouse;
- CAD advises departments to destroy or donate surplus where this is most cost-effective, thereby reducing transportation and handling costs; and
- CAD facilitates emergency sales, saving client departments from paying storage.

From the client survey, 53% agreed that CAD was achieving best value for the Crown by maximizing returns and 58% agreed that CAD was achieving best value for the Crown by reducing disposal costs for departments.

Overall, we found that CAD has reduced costs, increased revenues and sought creative solutions to work within existing programs and increase its client base.

#### **4.3.2 Alternatives could improve cost-effectiveness**

The document review indicated that the current CAD operating model (recommended by D.S. Doucette & Associates in 2003 and implemented in 2005) was the culmination of years of studies and pilot projects. The departmental pilot projects to sell their own surplus assets ran from 1991-1999, terminating after a 1997 study (Samson and Associates) found them too limited in scope and inconclusive. This study recommended that private sector providers be used as a cost-effective way of conducting surplus asset sales in partnership with CAD, with client departments being allowed to use either method.

A 1998 study (Scotia Capital Markets) considered a number of alternative service delivery models, including the status quo (which included warehousing), an improved full service model (with contracting out for some commodities), centrally managed contracting, delegated authority for disposal for some departments, full delegation of disposals to departments, outsourcing and divestiture. Contracting out was the preferred option for reasons of competitiveness and flexibility. The report recommended that a government-controlled entity be retained with a mandate to continue to manage or supervise the disposal function and perform tasks that the private sector might not or would not perform.

The key conclusions reached in the earlier studies were that:

- Departments were good at disposing of assets specific to their mandate or otherwise attractive items (e.g. vehicles) but not low value assets;
- The trend to outsourcing could be beneficial; and
- Key strategies that should be adopted were internal transfer and effective materiel management.

The strategy of effective departmental materiel management continued to be generally accepted as the key to achieving best value for the Crown when disposing of surplus assets. The Treasury Board has since revised the *Policy on Management of Materiel* and courses are available on materiel management of government assets.

Satisfaction with outsourcing to the private sector, in particular for vehicle sales, was confirmed in a 2002 mini survey by the Treasury Board. In 2003, Interis Consulting found that the private sector arrangement for vehicles was reported to be working well and recommended that it be continued. It was noted that private sector interest for low value assets had not materialized.

### **Arrangements with the Provinces**

CAD's Pacific Region has a unique agreement with the British Columbia government to dispose of federal Crown assets through the Province's Asset Investment Recovery program. This program makes the province the exclusive provider of disposal services for all departments required to use CAD services in the region, except where transfer, donation or destruction is used. The province levies a 32% commission for all assets, except special assets that have a 10% or negotiable commission. Departments must pay for removal to the province's facilities and the province assumes storage costs. Interis Consulting reported that this arrangement functioned well and was recommended as a model for other regions.

However, CAD managers reported that other provinces were not as interested in working with the federal government for asset disposals. While the BC program has a parallel mandate to CAD and the arrangements are mutually beneficial, this may not be the case in other provinces.

### **Other Proposed Alternatives**

Real-time online bidding was widely advocated by CAD personnel and clients as a way to increase the efficiency of sales and broaden the reach to a wider public audience. The client survey did not specifically ask for opinions about an online bidding system; in an open question for more cost-effective or alternative approaches to deliver CAD services, increased warehousing and reducing CAD fees were suggested by 10% of those responding.

However, the public survey asked if respondents would use an eBay type of bidding system. In the overall results, 39% responded yes and 51% responded no. However, on the web, 50% of the respondents said yes. See Table 5. As a note, 20% of the respondents attending the sale in Montreal and 26% in Ottawa said they did not use the CAD website.

**2007-601 Evaluation of the Crown Assets Distribution Program  
Final Report**

Table 5: Public Survey on an eBay Type of System—Overall Responses

Would you use an eBay type of system to bid on surplus goods?			
	Yes	No	No Opinion
Web	50%	44%	6%
Warehouse Sites	35%	54%	23%

An example of a real-time online bidding system is the BC government's system currently being used by CAD, the Asset Investment Recovery program. This program has a hybrid system, with real-time online auctions open to anyone with Internet access and three provincial "cash and carry" sites. The BC online system was highly praised in the client interviews as being quite successful.

In the United States, GovSales is an official website for the sale of government surplus and seized or forfeited assets for all American jurisdictions. A product of the Federal Asset Sales initiative, it provides continuous online live auctions to increase net proceeds while decreasing expenses for agencies, accelerating asset sales times and leveraging economies of scale. Another key objective is to make it easier for citizens and businesses to find and buy government assets.

In Canada, the *Directive on Disposal of Surplus Materiel* stipulates that CAD is responsible for disposal only after departments have tried transfers between departments, donations or conversion to waste. During interviews, some clients expressed an interest in transfers, but noted there is currently no system in place, apart from informal contacts. While CAD's previous attempt to operate a "trading post" was unsuccessful, it is currently running a pilot in Quebec Region—the On-Line Reuse Centre—to permit departments to electronically announce surplus assets for the purpose of transfer.

Other proposals raised in the client interviews included:

- Take-back arrangements for assets needed only short-term;
- Better guidance for donations and local destruction of assets;
- Partnering with broad-based charities such as the United Way; and
- Establishing relationships with hospitals, provinces, municipalities, universities etc., especially for the sale of specialized equipment.

Saskatchewan and Nova Scotia are examples where surplus goods are donated to charities. Saskatchewan's Ministry of Government Services disposes of supplies and office furnishings no longer needed by government organizations. The program enables government organizations to recycle furnishings by donating them to community organizations that can find them available in their city or local area. The items are listed on the Community Donations website, where organizations register for the program.

In Nova Scotia, the Department of Economic Development accepts applications for their program from registered or recognized non-profit organizations. Applications for surplus goods are received from the organizations on a first-come, first-served basis, with the financial limit for any one organization being \$5,000 in a government fiscal year.



The *Directive on Disposal of Surplus Materiel* authorizes government departments to donate surplus assets to recognized charitable or non-profit organizations. Some clients indicated there is currently no centralized system in place, no mechanism to ensure an equitable and transparent process and that they lacked the knowledge on how to implement such a system. Some clients noted that CAD was well-positioned with its current centralized role and expertise in disposal to lead the initiation of a government-wide fair and transparent system to enable donations of surplus assets. When a high return cannot be obtained for low value assets, this could be an alternative to destruction or incurring sales costs for low returns.

## **5. Conclusions**

Our conclusions are presented below.

### **5.1 Relevance**

**Evaluation Issue:** Is the Crown Assets Distribution Program consistent with government policies and priorities and does it address a continuing need?

Our findings indicate that CAD is relevant and consistent with Government of Canada policies and priorities and addresses a continuing need of federal organizations and users. CAD disposal services support the federal government's *Common Service Policy* and CAD's mandate is consistent with PWGSC's strategic objectives of good stewardship and ensuring best value for Canadians.

### **5.2 Success**

**Evaluation Issue:** Is the Crown Assets Distribution Program successful in achieving its intended outcomes?

We conclude that CAD is successful in providing quality services to clients. While there is overall satisfaction with the service provided by CAD, clients are not fully satisfied with commission rates and the resulting rebate amounts. However, this appears to be as a result of clients not fully understanding CAD costs and practicing poor life cycle management, resulting in goods that are in too poor a condition to resell for high amounts. Clients are generally satisfied with the contracting out services and previous studies indicated that the process is working well.

The Program is fair, transparent and conducts its program with integrity. While there are small levels of public disagreement with the equality of the bidding process, this is limited to the level of detail being provided on the sale items and the size of the lots.

CAD provides open access and opportunity to the public to purchase surplus materiel assets. While a dedicated group regularly attends public sales, the locations and times do not provide broad public access to the sales. We conclude that those attending the sales and the CAD website are satisfied with the bidding process.

CAD is conducting disposal practices with regard to ensuring safe environmental practices.

### **5.3 Cost-Effectiveness/Alternatives**

**Evaluation Issue:** Is the Crown Assets Distribution Program cost-effective?

#### **Cost-effective**

Based on our findings, we conclude that CAD is the most cost-effective and appropriate means of disposing of moveable surplus Crown assets. Financial evidence indicates that this centralized disposal service has resulted in increased revenues and decreased costs, ensuring best value for the Crown, creating efficiencies and reducing costs.

#### **Alternative Service Delivery**

Previous studies concluded that a centralized government-run disposal service, such as CAD, was the most appropriate method to dispose of surplus and seized Crown assets. We found no evidence to the contrary.

Current policy provides government departments with the authority to dispose of surplus materiel through either transfers to other government organizations or donations to recognized charities or non-profit organizations. There are currently no systems in place to facilitate either arrangement. CAD is well-positioned with its current established, centralized system and expertise in disposal to lead the initiation of a government-wide transfer system and of a government-wide donation system that would enable alternative disposal of low value and other surplus goods.

The addition of a real-time online bidding system would reach a broader range of buyers, open up the bidding process and result in higher sale prices and returns for clients. A system where the bid amounts are visible and not sealed, and that enabled potential purchasers to bid as the amount changed during the bidding, could generate increased sale prices and more revenue.

## **6. Management Response**

Acquisitions Branch accepts the evaluation findings and intends to act on the recommendations of the evaluation by implementing their Management Action Plan detailed as follows.

## **7. Recommendations and Management Action Plan**

Based on key findings and conclusions contained in this report, the Audit and Evaluation Branch recommends that the Assistant Deputy Minister, Acquisitions Branch, ensure that the Crown Assets Distribution Program address the following recommendations.

**Recommendation 1:** Develop measures to regularly assess client and public satisfaction with CAD services, the effectiveness of contracting services and direct sales, and public access to CAD sales.

**Action Plan:** CAD is committed to regularly assessing the perceptions of its stakeholders (OGDs and the general public) with regard to the quality of services specifically effectiveness, responsiveness, accessibility, fairness and transparency. Through a formal mechanism of annual surveys and interviews similar to those conducted by this program evaluation exercise, CAD will keep a “thumb on the pulse” of its clients and customers.

**Timeline:** Interviews and surveys conducted between Feb – March 2009. Results analysis completed by April 30, 2009.

**Recommendation 2:** Explore enabling technologies, such as real-time online bidding systems, to expand accessibility of CAD sales to a wider public audience and seek possible efficiencies and increased revenues.

**Action Plan:** CAD will examine the feasibility of implementing an automated on-line bidding system that will allow customers to bid electronically for goods on-line. This on-line bidding will provide greater access to assets being sold by CAD and will improve on the rebates provided to custodian departments.

**Timeline:** Feasibility study to be completed by October 2008. Based on favourable feasibility, implementation scheduled for April 2009.

**Recommendation 3:** Assist government organizations to better understand the life cycle management of Crown assets, especially the final disposal phase, to increase the saleability of assets and achieve better returns.

**Action Plan:** The PWGSC marketing and communications group is currently developing a marketing and communications package for CAD which will contain material (hard copy and electronic) specifically targeted to the materiel management community including tips and best practices on how to better manage the disposal of surplus assets in order to maximize returns.

**Timeline:** Marketing and communications package completed by October 2008. Informing government organizations of proper processes and best practices to better manage surplus assets begins November 2008 and continues as ongoing.

**Recommendation 4:** Explore the development of a government-wide internal transfer program to facilitate and increase transfers of moveable surplus Crown assets between federal organizations and provincial and municipal governments, as supported by the current *Directive on Disposal of Surplus Materiel*.

**Action Plan:** CAD will explore options to providing a government-wide internal transfer program for moveable surplus assets.

**Timeline:** December 2008.

**Recommendation 5:** Explore the development of a government-wide electronic notification system to offer low value or non-saleable moveable surplus Crown assets to recognized charitable or non-profit organizations, if such assets could appropriately be used by such organizations.

**Action Plan:** CAD will explore options to providing a government-wide electronic notification system to offer low value or non-saleable moveable surplus Crown assets to recognized charitable or non-profit organizations.

**Timeline:** March 2009.

## **8. About this Evaluation**

### **8.1 Objective**

The objective of this evaluation is to assess the relevance, cost-effectiveness and extent to which the Crown Assets Distribution Program is successful in achieving planned results and outcomes.

### **8.2 Evaluation Methodology**

The evaluation was conducted in accordance with the Evaluation Standards of the Government of Canada and the Audit and Evaluation Branch of PWGSC. The evaluation took place between May 2007 and February 2008 and was conducted in three phases: planning, assessment and reporting phases. To assess the evaluation issues and questions, the following lines of evidence were used: document review, financial data analysis, focus group, interviews and surveys.

**Document review:** Documents included the *Department of Public Works and Government Services Act*, the *Surplus Crown Assets Act* and strategic documents such as departmental *Report on Plan and Priorities* and *Departmental Performance Reports*. Relevant policies were consulted, including the Treasury Board *Directive on Disposal of Surplus Materiel*, *Policy on*

**2007-601 Evaluation of the Crown Assets Distribution Program  
Final Report**

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*Management of Materiel* and the *Common Services Policy*. Numerous previous studies on CAD were reviewed; a complete list is provided in Appendix C.

**Financial data analysis:** Financial data related to CAD budgets, revenues and expenditures were analyzed.

**Interviews:** Preliminary interviews were conducted with Program key staff, including outgoing Director Dave Keys. With the assistance of CAD staff, a list of relevant interviewees was developed, including CAD regional staff and relevant managers from client organizations (representing a range of sizes and asset types). The interviews also included two agencies external to the federal government that use CAD services on a voluntary basis. Nineteen interviews were conducted during the course of the evaluation. The evaluation team developed an interview guide and conducted the majority of interviews in person, with some being conducted by phone. A complete list of interviewees is provided in Appendix D.

Table 6: Summary Interview Groups

Interview Group	Number of Interviews
CAD Regions	6
Client Departments	11
Voluntary Users	2
<b>Total Interviews</b>	<b>19</b>

**Focus Group:** A focus group was held with CAD Program Headquarter's staff, as interviews in the planning phase revealed that views on the program were consistent for this group. The focus group lasted two hours and allowed the facilitators to drill down for more information. Questions were based on the questionnaire for interviews.

**Surveys:** Two surveys were conducted, including one with CAD clients and a second one with public users of CAD services. The client survey was emailed to 116 persons in 79 client organizations, with a two-week completion period, and had 51 responses (44%), covering ten of the 21 *Financial Administration Act* departments. The public survey was posted on the CAD website (February 1-15, 2008) and was conducted by Audit and Evaluation Branch personnel at CAD warehouse sales in Montreal and Ottawa (February 7-8, 2008). It had 444 responses.

### **8.3 The Planning Phase**

The planning phase of the evaluation included:

- Reviewing relevant legislation, policies and practices pertaining to CAD activities;
- Identifying government departmental and agency users of CAD services;
- Conducting preliminary interviews, primarily with CAD managers;
- Developing a logic model on the CAD program; and
- Developing an Evaluation Matrix containing the evaluation issues and questions for the assessment phase.

## **8.4 The Assessment Phase**

The assessment phase included:

- Reviewing documentation, including government policies, processes, mechanisms and previous studies and reviews on the program;
- Conducting interviews with federal departments and agencies;
- Conducting surveys on federal departments and agencies;
- Conducting surveys on public participants at the CAD website and sales;
- Analyzing data collected from the documents, interviews and surveys;
- Reviewing literature on other jurisdictions who are using online bidding systems; and,
- Reviewing financial data and the CAD funding model.

## **8.5 The Reporting Phase**

We documented our findings and conclusions in a Director's Draft Report, which was internally cleared through Audit and Evaluation's Quality Assurance function. We provided the Program's Director General with the Director's Draft Report with a request to validate facts and comment on the Report. A Chief Audit Executive Draft Report was prepared and provided to the Office of Primary Interest's Assistant Deputy Minister for acceptance. The Office of Primary Interest was requested to respond with a Management Action Plan. The Draft Final Report, including the CAD Management Action Plan, was then presented to PWGSC's Audit and Evaluation Committee for the Deputy Minister's approval. Once finalized, the Final Report will be submitted to the Treasury Board of Canada Secretariat and posted on the PWGSC website.

## **8.6 Limitations of the Methodology**

It should be noted that CAD management provided a majority of the documents and data reviewed. That does not inherently imply that CAD data were biased; however, it is a limitation of the evaluation methodology. Also, the reliability of the interview and survey data is dependent on the knowledge of the individuals responding, the bias of the individuals and the number of responses received. For the other jurisdictions, only documentation available on the Internet was reviewed and no direct contact was made with representatives of these jurisdictions.

The multiple lines of enquiry involved and the number of interviews and surveys conducted served to mitigate these limitations.

## **8.7 Project Team**

Staff of the Audit and Evaluation Branch developed this evaluation, under the direction of the Director of Evaluation and Chief Audit Executive of the Audit and Evaluation Branch.

## **Appendices**

### **Appendix A: Categories of CAD Surplus Crown Assets and Seized Goods**

- Agricultural Machinery and Equipment
- Aircraft, Airframe Components, Parts and Instruments.
- Books, Maps and Other Publications
- Building Materials, Hardware and Paint
- Cars, Vans, Light Trucks, Motorcycles, Snowmobiles
- Chemicals and Chemical Products
- Computer Equipment, Parts and Accessories
- Electrical Equip. & Supplies, Motors, Generators, Transformers, etc.
- Electronic & Communication Equipment & Supplies (radar, radio, t.v.)
- Fire Fighting, Safety and Rescue Equipment
- Fishing Equipment (commercial)
- Fuel, Oil and Lubricant
- Hand Tools, Maintenance and Repair Shop Equipment
- Heavy Equipment & Machinery (e.g. construction, road maintenance)
- Household Appliances, Food Preparation and Serving Equipment
- Jewelry, Collectors Items, Arts and Crafts, etc.
- Livestock (e.g. cattle, horses, bison, dogs, etc.)
- Machine Tools (e.g. lathes, drills, welding equipment)
- Marine Equipment and Supplies
- Materiel Handling Equipment (e.g. forklifts, conveyors)
- Medical, Dental, Scientific, Lab Equipment
- Musical Instruments and Accessories
- Office Furniture and Equipment, Household Furniture
- Photographic, Optical and Surveying Equipment and Supplies
- Plumbing, Heating, Refrigeration and Air Conditioning Equipment
- Precious Metals (e.g. silver)
- Printing Equipment (e.g. presses)
- Scrap - Metal (e.g. iron, steel, brass, batteries)
- Scrap - Nonmetallic (e.g. rubbers, plastics, wood)
- Scrap - Paper
- Scrap - Textiles
- Seized Assets - Excluding Vehicles
- Ships, Parts and Accessories
- Sporting Goods and Camping Equipment
- Textiles, Leather, Fur, Clothing and Footwear
- Vehicle Equipment, Parts & Accessories & Tires and Tubes

**2007-601 Evaluation of the Crown Assets Distribution Program  
Final Report**

**Appendix B: Evaluation Matrix**

Evaluation Issue	Evaluation Question	Indicators	Data Source	Evaluation Methodology
<b>Relevance</b>  Is the Crown Assets Distribution Program consistent with government policies and priorities and does it address a continuing need?	1. What GC policies and priorities and what PWGSC strategic outcomes are supported by a centralized service for the disposal or distribution of moveable surplus Crown assets?	<ul style="list-style-type: none"> <li>- Existence of legislation, policy and priority statements that identify the mandate for CAD</li> <li>- Consistency of mandate with PWGSC objectives</li> </ul>	<u>Document Review</u> <ul style="list-style-type: none"> <li>- <i>DPWGS Act</i></li> <li>- <i>Surplus Crown Assets Act</i></li> <li>- <i>Directive on Disposal</i></li> <li>- <i>Common Services Policy</i></li> </ul> <u>Interviews</u> <ul style="list-style-type: none"> <li>- Key clients of CAD</li> <li>- Treasury Board</li> </ul>	<ul style="list-style-type: none"> <li>- Document analysis to establish the program's continued usefulness</li> <li>- Analysis of responses from key clients and Treasury Board</li> </ul>
	2. Is there an ongoing need for a centralized service for the disposal or distribution of moveable surplus Crown assets, such as is now provided through CAD's mandate?	<ul style="list-style-type: none"> <li>- Level of consensus on need for centralized assets disposal service</li> </ul>	<u>Document Review</u> <ul style="list-style-type: none"> <li>- RPP, DPR</li> <li>- <i>DPWGS Act</i></li> <li>- <i>Directive on Disposal</i></li> <li>- <i>Common Services Policy</i></li> <li>- Previous studies on CAD</li> </ul> <u>Interviews</u> <ul style="list-style-type: none"> <li>- Key clients of CAD</li> <li>- Focus group with CAD staff</li> </ul>	<ul style="list-style-type: none"> <li>- Document analysis to establish the program's relevance as a function of the GC</li> <li>- Analysis of responses from key clients and Treasury Board</li> </ul>



**2007-601 Evaluation of the Crown Assets Distribution Program  
Final Report**

Evaluation Issue	Evaluation Question	Indicators	Data Source	Evaluation Methodology
<b>Success</b>  Is the Crown Assets Distribution Program successful in achieving its intended outcomes?	1. Has CAD provided quality service to client departments? How satisfied are client departments with timeliness, returns and rebates, advice and guidance, commission rates and contracting out services?	<ul style="list-style-type: none"> <li>- Level of client satisfaction with timeliness of removal of surplus assets</li> <li>- Level of client satisfaction with returns / rebates</li> <li>- Level of client satisfaction with advice and guidance from CAD</li> <li>- Level of client satisfaction with CAD's commission rates</li> <li>- Level of client satisfaction with CAD's contracting out services</li> </ul>	<u>Client Interviews / Survey</u> <ul style="list-style-type: none"> <li>- Interviews with materiel management personnel and senior managers, Ottawa Police Service, Nav Canada</li> <li>- Survey to all clients</li> <li>- Focus group with CAD staff</li> </ul> <u>Public Survey</u> <ul style="list-style-type: none"> <li>- Survey posted on CAD website</li> <li>- Survey public at CAD warehouse sales</li> </ul>	<ul style="list-style-type: none"> <li>- Qualitative analysis of interviews and anecdotal information</li> <li>- Qualitative and quantitative analysis of survey data</li> <li>- Analysis of internal databases provided by CAD</li> </ul>
	2. Do internal and external stakeholders have confidence in the fairness, transparency, prudence, probity and integrity of CAD's approach to disposal / distribution of surplus Crown assets?	<ul style="list-style-type: none"> <li>- Level of confidence in fairness</li> <li>- Level of confidence in transparency</li> <li>- Level of confidence in prudence</li> <li>- Level of confidence in probity</li> <li>- Level of confidence in integrity</li> </ul>		
	3. To what extent has CAD succeeded in ensuring open access / opportunity for Canadians to know about and purchase surplus Crown assets?	<ul style="list-style-type: none"> <li>- Number of methods used for dissemination of information to the public</li> <li>- Effectiveness of methods used for dissemination of information to the public</li> <li>- Level of access of public to sales of items</li> </ul>		

**2007-601 Evaluation of the Crown Assets Distribution Program  
Final Report**

Evaluation Issue	Evaluation Question	Indicators	Data Source	Evaluation Methodology
<b>Success</b>  Is the Crown Assets Distribution Program successful in achieving its intended outcomes?	4. To what extent has CAD succeeded in ensuring protection of people's health and safety and the environment through appropriate disposal practices (e.g., with respect to hazardous goods and e-waste)?	<ul style="list-style-type: none"> <li>- Number of incidents related to unsafe disposal practices by CAD Program in past 5 years</li> <li>- Existence and effectiveness of procedures to ensure health and safety and the environment in disposal process</li> <li>- Level of knowledge of procedures to ensure health and safety and the environment in disposal process</li> <li>- Number of known products not covered by policies regarding health and safety and the environment in disposal process, but that should be</li> </ul>	<u>Document Review</u> <ul style="list-style-type: none"> <li>- Previous studies on CAD</li> </ul> <u>Client Interviews / Survey</u> <ul style="list-style-type: none"> <li>- Interviews with key clients</li> <li>- Survey to all clients</li> </ul>	<ul style="list-style-type: none"> <li>- Document analysis to establish the program's relevance as a function of the GC</li> <li>- Analysis of responses from key clients and Treasury Board</li> </ul>
	5. Have there been any unexpected outcomes attributable to the CAD program?	<ul style="list-style-type: none"> <li>- Existence of unexpected outcomes</li> </ul>	<u>Client Interviews / Survey</u> <ul style="list-style-type: none"> <li>- Interviews with key clients</li> </ul>	<ul style="list-style-type: none"> <li>- Analysis of responses from key clients and Treasury Board</li> </ul>

**2007-601 Evaluation of the Crown Assets Distribution Program  
Final Report**

Evaluation Issue	Evaluation Question	Indicators	Data Source	Evaluation Methodology
<b>Cost-Effectiveness / Alternatives</b>  Is the Crown Assets Distribution Program cost-effective and are there alternative arrangements for delivering CAD services?	1. Are CAD services cost-effective from a government-wide perspective?	<ul style="list-style-type: none"> <li>- Extent to which CAD achieved best value for the Crown by maximizing rebates and reducing costs of disposal for client departments</li> <li>- Extent to which CAD contributed to the re-use of surplus assets across government through internal transfer</li> <li>- Value of strategies CAD used to operate more efficiently and increase revenues from sales?</li> <li>- Difference in program expenses under current arrangement of minimizing warehousing and transportation expense, and old model of warehousing</li> <li>- Level of efficiency CASS2000 system in supporting efficiency of CAD processes</li> </ul>	<u>Data Review</u> <ul style="list-style-type: none"> <li>- Detailed financial data from CAD</li> <li>- Detailed reports from CASS2000</li> </ul>	<ul style="list-style-type: none"> <li>- Data analysis to establish the program's cost-effectiveness</li> </ul>
	2. Are there more cost-effective alternative arrangements for delivering on the CAD mandate?	<ul style="list-style-type: none"> <li>- Findings of previous studies with respect to alternative arrangements</li> <li>- Findings in other jurisdictions with respect to alternative arrangements</li> </ul>	<u>Document Review</u> <ul style="list-style-type: none"> <li>- Previous studies on CAD</li> <li>- Review of other jurisdictions and alternative delivery methods</li> </ul>	<ul style="list-style-type: none"> <li>- Document analysis to establish the program's continued usefulness</li> <li>- Analysis of other systems for possible parallels</li> </ul>
	3. What has been learned about possible alternative arrangements from the different business models used in the regions with respect to contracting out to, or partnering with, the private sector and collaboration with or outsourcing to a provincial government?	<ul style="list-style-type: none"> <li>- Findings of previous studies with respect to contracting out to the private sector</li> <li>- Findings of previous studies with respect to collaboration with or outsourcing to a provincial government</li> </ul>	<u>Document Review</u> <ul style="list-style-type: none"> <li>- Previous studies on CAD</li> <li>- Review of other jurisdictions and alternative delivery methods</li> </ul>	<ul style="list-style-type: none"> <li>- Document analysis to establish the program's continued usefulness</li> <li>- Analysis of other systems for possible parallels</li> </ul>

## **Appendix C: Principal Documents Reviewed**

### **Authority and Governance**

1. *Department of Public Works and Government Services Act* (1996).
2. *Surplus Crown Assets Act* (R.S. 1985).
3. *Financial Administration Act* (R.S. 1985).
4. Treasury Board of Canada Secretariat, *Directive on Disposal of Surplus Materiel* (November 1, 2006).
5. Treasury Board of Canada Secretariat, *Policy on Management of Materiel* (November 1, 2006).
6. Treasury Board of Canada Secretariat, *Common Services Policy* (August 2006).

### **Documents about CAD**

7. Crown Assets Distribution Service Line, *Business Plan: April 1, 2007 - March 31, 2008*.
8. *Crown Assets Distribution Manual* (draft in progress 2007).
9. [ \* ]
10. *CAD Action Plan* (Resulting from CAC Study, February 2006).
11. Crown Assets Distribution Service Line (CADSL) *Management Framework* (November 2005).
12. PWGSC deck for ITSB on money flow.
13. Miscellaneous memos/notes on Crown Assets Disposal (1991 to 1996).

CAD website <http://crownassets.pwgsc.gc.ca/>

### **CAD Financial Documents**

14. Performance Report provided at Regional Conference – provides information on: Sales by Major Clients; CADD Sales by Month, CADD Commissions and Expenses by Month, CADD Cumulative Sales to date, CADD Cumulative Expenses and Commissions to date, etc. (September 2005).
15. Financial Management Report: Summary of Crown Assets Activity by Region for Q2 / May 07 (20 June 07).
16. CAD Business Volume by Department (2006-2007).
17. CAD Business Volume by Commodity (2006-2007).

### **Previous Studies on CAD**

18. *SPMD/CADD Organizational Review* (Consulting and Audit Canada, June 2, 2005)
19. *Evaluation of the Surplus Moveable Crown Assets Disposal Policy* (Interis Consulting for Treasury Board of Canada Secretariat, October 2003).
20. *Future Financial Viability of Crown Assets Distribution* (D.S. Doucette & Associates for Treasury Board of Canada Secretariat, October 31, 2003).
21. *Current Practices: Results of Mini-Survey for Disposal of Surplus Moveable Crown Assets Policy* (Treasury Board of Canada Secretariat, November 21, 2002).
22. *Cost Comparison: Crown Assets Distribution Revised Disposal Model: Report* (Samson & Associates, February 1999).

**2007-601 Evaluation of the Crown Assets Distribution Program  
Final Report**

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23. *Alternative Delivery Models for Managing Government-Wide Surplus Assets Disposal* [Draft], (July 14, 1998).
24. *Report on Crown Assets Distribution Service Line* (Scotia Capital Markets, April 23, 1998).
25. *Comparative Analysis & Study of Surplus Assets Disposal* (Samson & Associates, March 31, 1997).
26. Auditor General's Audit of Materiel Management in the Federal Government, and comments from CAD Director (August 1996).
27. Briefing Package – Disposals Pilot Projects (1991).

**Documents on Alternative Arrangements and Outsourcing**

28. MOU between CAD and Ottawa Police Service.
29. MOU between CAD and NAV CANADA.
30. Disposition Services Agreement between BC and PWGSC (2002).
31. National Master Standing Offer with Independent Canadian Auction Network.
32. Memorandum of Agreement to Implement Pilot Projects on Surplus Assets Disposal, (November 1991).
33. British Columbia Asset Investment Recovery Program.
34. Saskatchewan Ministry of Government Services.
35. Nova Scotia Department of Economic Development.
36. United States Federal Asset Sales.

