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Audit of Contracting

Final Report

Audit and Evaluation Branch

October 2002

Canada¹³¹¹

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EXECUTIVE SUMMARY

OBJECTIVES

The objectives of the audit were to examine the contracting practices applied in the Micro-Economic Policy Analysis Branch (MEPA), and the Canadian Biotechnology Secretariat (CBSec). The audit sought to ensure that:

- The contracting principles of best value and open access are followed;
- Government Contract Regulations, Treasury Board Secretariat Guidelines and Industry Canada's own policies are complied with;
- The contracting process is fair and transparent; and
- Operational requirements and development needs are met.

SCOPE AND METHODOLOGY

The audit focused on the contracting processes currently in place in the two branches under examination. The period under review included contracts with start dates between April 1, 2000 and January 31, 2002, and covered five types of contracts, including: call-ups against standing offers, service contracts, travel letters, temporary help and purchase orders. A stratified sample of 45 files was randomly selected using audit software (ACL). Given that sole-source service contracts under \$25,000 represent 97% of all service contracts issued, service contract files selected were weighted in the under \$25,000 value range.

Work performed included: an analysis of the overall list of files for possible contract splitting and/or repeat contracting; an examination of contract files; and, discussions with branch personnel to confirm contracting practices. Work for this audit was carried out between March and April 2002.

Criteria for this audit were developed in support of the audit objectives, and were based on Treasury Board Secretariat Contracting Policy, the Government Contracts Regulations and Industry Canada Contracting Policies.

While this audit was conducted in accordance with standard audit practice, the information is based on a sample and there may be other evidence not obtained during the course of the audit that could affect the nature of our conclusion.

RESULTS

In our opinion, the contracting practices applied within the Canadian Biotechnology Secretariat and the Micro-Economic Policy Analysis Branch are generally in compliance with the Government Contracts Regulations, Treasury Board Secretariat Guidelines and Industry Canada policy. Efforts are made by both branches to award and manage contracts in relation to best value, open access, fairness and transparency. However, these efforts are not consistently complemented by documentation on file.

RECOMMENDATIONS

Based on our audit findings, we recommend a number of areas for improvement. The following recommendations apply to both CBSec and MEPA:

- Formalize the use of source lists, and develop associated procedures.
- Establish mechanisms to ensure all contract files contain relevant information.
- Clearly establish responsibility for maintaining the “official” contract file.
- Ensure periodic reviews of contract file documentation by the contracting authorities.
- Develop standard processes for contract monitoring.
- Establish a more rigorous process to verify that the supplier is not a current or former public servant in receipt of a pension.
- Establish procedures to ensure contracting requirements are addressed using the appropriate contracting vehicle, and supported by appropriate justification and/or documentation.

1.0 INTRODUCTION

The following provides an overview of the requirement for this engagement as well as relevant background information.

REQUIREMENT

The Audit and Evaluation Branch of Industry Canada (IC) identified a need for assistance in the conduct of an audit of contracting. Deloitte & Touche was engaged to carry out this audit, leveraging understanding gained in the initial assessment of the Industry Canada contracting framework completed in September 2000.

BACKGROUND

The current IC audit plan for 2001-2002 to 2003-2004 identified the Industry Sector and the Policy Sector for yearly cyclical audits of management practices, including the overall control framework for contracting and transfer payments. In this plan a commitment was made to conduct an audit of contracting (with a focus on specific branches within each of the two sectors) in the fourth quarter of 2001-2002. Some departmental concerns in relation to contracting stem from IC audits carried out in recent years, as well as from broader concerns of the Office of the Auditor General around contracting practices in federal government departments. In their 1998 report, the Office of the Auditor General indicated that in an examination of contracting files for professional services in various government departments, most contracting practices were not carried out in accordance with government regulations on sole-sourcing.

The Audit and Evaluation Branch performed a risk analysis in January 2002, resulting in the selection of the Canadian Biotechnology Secretariat and the Micro-Economic Policy Analysis Branch for further review, based on the number of contracts and associated contract dollars in recent years.

2.0 OBJECTIVE

The objectives of the audit were to examine the contracting practices applied in the Canadian Biotechnology Secretariat (CBSec) and the Micro-Economic Policy Analysis Branch (MEPA), to ensure that:

- The contracting principles of best value and open access are followed;
- Government Contract Regulations, Treasury Board Secretariat Guidelines and Industry Canada's own policies are complied with;
- The contracting process is fair and transparent; and
- Operational requirements and development needs are met.

3.0 SCOPE

The audit focused on the contracting practices currently in place in CBSec and MEPA.

The contracting period under examination included April 2000 to January 2002. More specifically, contracts with start dates between April 1, 2000 and January 31, 2002 were selected for examination. Five different types of contracts were examined, including: purchase orders, call-ups against standing offers, service contracts, travel letters and temporary help. A total sample of 45 files was randomly selected for examination from the two areas.

Service contracts account for approximately 75% of the total value of all contracts issued during the selected period. Given that sole-source service contracts under \$25,000 represent 97% of all service contracts issued, service contract files selected were weighted in the under \$25,000 value range. The following table outlines the total number and value of contract files, and the number and value of the sample selected, by contract type.

	Type	Total files (Apr-00 to Jan-02)		Files examined	
		Number	Value (\$)	Number	Value (\$)
Canadian Biotechnology Secretariat	Call-up against standing offers	23	803,397	3	23,000
	Purchase Orders	51	107,439	2	5,194
	Service Contracts	172	2,432,166	12	121,811
	Temporary Help	22	215,342	4	15,761
	Travel	11	16,599	2	3,936
	Total	279	3,574,943	23	169,702
Micro-Economic Policy Analysis	Call-up against standing offers	10	156,297	2	51,079
	Purchase Orders	86	86,062	3	16,882
	Service Contracts	232	2,042,955	13	116,985
	Temporary Help	5	90,646	1	265
	Travel	25	23,055	3	1,028
	Total	358	2,399,015	22	186,239
Overall Total		637	5,973,958	45	355,840

Some additional files of higher dollar value were summarily reviewed to confirm existence of contracting practices evident during the examination of the randomly selected 45 files.

While this audit was conducted in accordance with standard audit practice, the information is based on a sample. Thus there may be other evidence not obtained during the course of the audit that could affect the nature of our conclusion.

4.0 APPROACH, METHODOLOGY AND CRITERIA

This section outlines the methodology, criteria, approach and schedule, and standards applied throughout this audit.

APPROACH AND METHODOLOGY

A standard audit approach was used to carry out this engagement. This approach is outlined below:

- 1 **Planning.** Initial planning included confirmation of the audit objectives and scope with the Audit and Evaluation Branch, review of background documentation, and development of the audit criteria and program.
- 2 **Fieldwork.** Fieldwork included the carrying out of the audit program, as developed during the planning stages. Data was gathered during this stage using various methods:
 - An analysis of the overall list of files was undertaken to identify possible instances of contract splitting and/or repeat contracting.
 - A total of 45 files were selected using stratified random attribute sampling by means of audit software (ACL). These files were tested against key controls related to each of the audit objectives.
 - Discussions were held with branch personnel to further confirm contracting practices.
3. **Reporting.** This report was developed highlighting the audit results. It will be issued in draft and final format, and include the management response, when received.

This audit was carried out between March and April 2002.

CRITERIA

Contracting practices were assessed against criteria developed in support of the audit objectives. These criteria were developed using the Treasury Board Secretariat Contracting Policy, the Government Contracts Regulations and Industry Canada Contracting Policies. Specific criteria used in this audit include:

- Due consideration was given throughout the contract life cycle to obtain best value.
- Due process was followed to allow all qualified firms or individuals an equal opportunity to compete.
- Due process was followed to ensure requirements were clearly defined, appropriate contracting methods were selected, and decisions made were justified and included in the contract file.
- Steps relating to the completion of the contract were carried out with due process.
- Contract deliverables were consistent with the statement of work and provided benefit to the Department.
- Contract was closed following due process.
- Contracting was carried out to ensure a fair and transparent process.
- The contracting process was undertaken to fulfill the requirements of the Department.

5.0 CONTEXT

In order to understand the audit results presented in this report, it is critical to set the context of the current contracting practices within each of the two units examined. A brief description of each of the units, followed by an overview of contracting practices, is included below.

Canadian Biotechnology Secretariat (CBS)

The Canadian Biotechnology Secretariat oversees the implementation of the Canadian Biotechnology Strategy. Under this strategy, the Secretariat supports the Canadian Biotechnology Advisory Committee (CBAC) and the new interdepartmental coordinating structures. The CBAC is an independent expert panel, whose members have been drawn from the scientific, business, general public, ethics, and environmental communities with a wide range of expertise and backgrounds. The role of the CBAC is to provide independent advice to the seven ministers of the Biotechnology Ministerial Coordinating Committee on a broad range of ethical, social, regulatory, economic, environmental and health issues related to the development and application of biotechnology, as well as provide Canadians with an ongoing forum to voice their opinions and participate in an open and transparent dialogue on biotechnology issues.

The Secretariat has two functions. First, it provides government with wide service to facilitate policy coordination through support of the Biotechnology Assistant Deputy Ministers (ADM) Coordinating Committee and Biotechnology Deputy Ministers Coordinating Committee. Second, it supports the Canadian Biotechnology Advisory Committee (CBAC). For this function it takes its direction from the Chair of CBAC. It is housed in Industry Canada as a matter of administrative convenience and as a result, Industry Canada has responsibility to ensure that its administrative policies are consistent with Government policy.

Micro-Economic Policy Analysis Branch (MEPA)

Based on Industry Canada's approved Performance, Reporting and Accountability Structure (PRAS), one of the Department's principal lines of business is Micro-Economic Policy. Micro-economic policy is delivered through the Policy Sector of the organization.

The Micro-Economic Policy Analysis branch is a centre of excellence in micro-economic analysis and provides the fundamental economic research and analysis underpinning Industry Canada's policy development process. Collaborating with leading experts, the branch provides leadership in the provision of both current economic analysis and strategic information on issues relating to the Department's lines of business. In addition to organizing conferences, workshops, seminars, and distinguished speaker series, the branch runs a nationally recognized research publications program. The branch also publishes a number of regular reports and is responsible for the maintenance of the departmental economic database.

Contracting Practices within CBSec and MEPA

Both CBSec and MEPA have similar operations in that both organizations engage in significant amounts of research. As a result, both organizations are involved in two general categories of contracts:

Technical: Technical contracts, for the purposes of this report, have been defined as contracts that relate to the undertaking of research, and the associated activities related to research, such as peer reviews, workshops, etc. In these instances, specific technical knowledge is required by the contractor.

Non-technical: Non-technical contracts are those where specific technical knowledge is not required by the contractor. Examples include: printing, page setting, basic clerical work, website design, etc.

Both organizations share similar challenges in relation to contracting for technical work. Given the high level of technical expertise required, both branches deal with a small source of experts that can be called upon. It was indicated by both branches that depending on the nature of the work to be done, the selection of qualified suppliers might be quite narrow.

Despite some overall similarities, CBSec and MEPA follow different processes for initiating and administering contracts, as follows:

- Contract administration is carried out within CBSec, with assistance from the Contract and Material Management Branch (CMM) when required.
- Contract administration is shared within MEPA; contracts are initiated and carried out within MEPA, while administration and payment of the contract is carried out by the Management and Administrative Services Group, the centralized administration unit within the Policy Sector.

While the processes used to carry out contract administration differ between CBSec and MEPA, both appear to meet the needs of each organization; contracts for CBSec are administered within CBSec, while responsibility for contract administration within MEPA is shared between MEPA and the Management and Administrative Services Group.

6.0 AUDIT RESULTS

This section provides our overall conclusion, supported by detailed audit findings and recommendations.

OVERALL CONCLUSION

In our opinion, the contracting practices applied within the Canadian Biotechnology Secretariat and the Micro-Economic Policy Analysis Branch are generally in compliance with the Government Contracts Regulations, Treasury Board Secretariat Guidelines and Industry Canada policy. Efforts are made by both branches to award and manage contracts in relation to best value, open access, fairness and transparency. However, these efforts are not consistently complemented by documentation on file.

FINDINGS AND RECOMMENDATIONS

This section presents our findings and recommendations, by branch. Minor exceptions noted have been discussed with branch management.

6.1 Finding

Source lists are not formally being used to identify potential suppliers in either CBSec or MEPA.

According to Treasury Board Secretariat guidelines, procedures and source lists should be designed to ensure that qualified individuals or firms are not omitted from consideration and that there is a fair opportunity for those qualified to obtain a share of the available work.

As previously explained, both CBSec and MEPA contract primarily with two different kinds of suppliers: technical (for example, specialists and researchers) and non-technical (for example, printers, staffing specialists, etc.).

- Technical suppliers are identified primarily by the CBAC, in the case of CBSec, or by their prominence in the field and by expert colleagues, in the case of MEPA. Highly specialized researchers, particularly in the areas of biotechnology and economics, are few in number. As a result, informal networking is often relied upon as a means of keeping current with new developments and identifying new researchers.
- In cases where standing offers are not in place, non-technical suppliers are identified ad hoc. Both branches make use of standing offers when possible.

While some processes exist to identify potential suppliers, these are not standardized and have not been formally documented. Without a formalized approach to identify suppliers, there is a risk that new suppliers are not identified, thereby compromising the principle of open access to all qualified parties.

6.1.1 Recommendation

Within both CBSec and MEPA, the use of source lists should be formalized for technical work, and the use of source lists should be established for non-technical work.

Source lists and related processes help ensure that firms are given an equal opportunity to provide services to the Government of Canada.

- In the case of the technical work undertaken by the two branches, there are already mechanisms in place that allow for some consideration of available suppliers. It is recommended that, where

possible, these processes be formalized and enhanced, potentially through the establishment of a list of qualified technical suppliers.

- For non-technical work, source lists should be established for services often required, such as publishing and related activities, assistance with staffing, etc.

Once established, source lists should be reviewed regularly to ensure qualified suppliers are not omitted from consideration. Consideration should also be given to finding ways to inform industry and other interested parties of this practice, further supporting the principles of transparency and fairness. Contracts should be rotated among suppliers on the source lists to minimize perceptions of repeat contracting.

6.2 Finding

File documentation is weak in support of the contracting practices in both CBSec and MEPA.

The objective of federal government contracting policy is to acquire goods and services in a manner that enhances access, competition and fairness and results in best value or, if appropriate, the optimal balance of overall benefits to the Crown and the Canadian people. These principles can be demonstrated through the documentation of activities undertaken throughout the course of the contracting process. It is in support of this requirement that Treasury Board Secretariat policies and guidelines, subject to the specific directives of the contracting authority, specify that contract files should be established which provide a complete audit trail containing details on matters such as options, decisions, approvals, amendments, if any, etc., and which identify the officials or authorities involved in the process. Contract file information is extremely important for answering questions and evaluating the results.

Basic contracting documentation, including a signed contract, amendments (if applicable), invoice, approval of the invoice as per the Financial Administration Act, and records of payment information, were on file for contracts examined. All contracts examined contained details of the costs, as well as a statement of work. This level of information is appropriate for contract values and the types of contracts examined. However, other documentation providing additional support in terms of demonstrating adherence to the principles of best value, openness, transparency and fairness, was not included on the contract file.

Follow-up discussions with branch personnel indicated that efforts were made to adhere to these principles. For example, CBSec indicated that negotiations did take place with suppliers to ensure best value, prior to the preparation of the contract; in MEPA, rates were established for standard engagements, which ensure fairness, transparency and best value. However, these efforts were typically not reflected in the contract files examined. Some files within CBSec were found to have more complete documentation; these files could serve as examples upon which to build documentation practices.

It was noted that standard contract appendices (e.g., standard terms and conditions) were not always included in the contract file.

There are a number of risks associated with weak file documentation. One of the major risks is that file documentation does not adequately demonstrate that best value has been obtained, and that open access and transparency have been achieved. As well, a requirement could arise for file documentation to support legal proceedings. Inadequate file documentation leads to ineffective information management, making it difficult for new employees or new project authorities to obtain the necessary background to be able to effectively manage the project, or benefit from lessons learned. A final risk is that the project, once completed, cannot be effectively or efficiently retraced.

6.2.1 Recommendation

Contract file documentation should be strengthened within CBSec and MEPA. Mechanisms should be established (checklists, memo to staff outlining documentation requirements) to ensure all contract files contain relevant information. Responsibility for maintaining the “official” contract file should be clearly established (i.e., assign responsibility to a specific individual to ensure that all relevant information is put on the “official” contract file).

Contract files should be developed so as to ensure that the requirement for a complete audit trail is met. In addition to basic documentation already included in the contract file, other documentation, demonstrating adherence to the principles of best value, open access, fairness and transparency, should also be included. Examples of this type of supporting information include:

- Documentation of relevant discussions and/or e-mails, indicating the requirements communicated to the supplier, and their response to this requirement (e.g., proposal, etc)
- Documentation of specific reasons as to why a specific supplier has been selected if the contract is for sole source under \$25,000 (e.g., specific knowledge, efficiency, time constraints, etc.)
- Evaluation of the contractor following completion of services
- Other documentation and notes to file, as appropriate

All signed contracts should contain a complete copy of all appendices, including standard terms and conditions.

Periodic reviews of contract file documentation should be conducted by the contracting authorities within CBSec and MEPA to confirm that contract file documentation is appropriate, and to build in-house expertise for the management and administration of contracts.

6.3 Finding

A formal monitoring process has not been established in CBSec or in MEPA.

As per Treasury Board Secretariat policies and guidelines, contracts should contain appropriate mechanisms for monitoring the work.

Discussions with each of the branches revealed that while monitoring does take place, it is done on an informal and ad hoc basis. Both branches indicated that monitoring, which may take the form of a telephone call or reminder e-mail, is typically done by the project authority to ensure deliverables are on time and according to contract specifications. However, evidence of these activities was not typically included in the contract file. Within MEPA, reliance was also placed on the strong level of professional ethics upheld by researchers in the academic community to ensure that the deliverable was on time and of high quality. However, neither branch reviewed had a formal policy or standard process in place in relation to contract monitoring.

As well as being part of the contracting policy, monitoring ensures that the Government of Canada is obtaining best value for contracting monies expended. Monitoring ensures that the deliverable received is in alignment with the terms of reference and statement of work outlined in the contract. Monitoring also ensures that work is progressing according to schedule and within budget. Monitoring minimizes the possibilities of delayed deliverables and cost overrun.

6.3.1 Recommendation

Standard processes for contract monitoring should be developed within CBSec and MEPA to ensure that monitoring is effectively carried out during the course of a contract. Consideration should be given to

establishing and communicating guidelines for monitoring, example procedures and a requirement for maintaining evidence of monitoring within the contract file.

The process that is developed should meet the needs of each branch, and be reflective of the fact that some contracts have a lower dollar value, or have shorter timeframes. The process should be flexible, but ensure that the monitoring carried out is effectively guarding against cost overruns, delivery delays, or unacceptable deliverables.

6.4 Finding

Processes in place in both CBSec and MEPA do not provide consistent, adequate control to ensure that a supplier is not a current public servant or former public servant in receipt of a pension.

As per Treasury Board Secretariat guidelines and Industry Canada policy, extreme caution should be exercised when contracting with employees in receipt of a pension or of a lump sum payment. If so, it must be in the public interest, with no suggestion of special favoritism or privilege. Similar caution should be exercised in relation to contracting with a current public servant.

The risk of entering into a contract with a current or former public servant in receipt of a pension is that it leads to a perception of favoritism and negative public image and also appears to contravene the Government of Canada contracting policy principles of openness, fairness and transparency.

Both organizations were aware of the requirement to verify if the supplier is a current or former public servant in receipt of a pension:

- In the case of CBSec, reliance was placed on confirmation by the project authority or on personal knowledge.
- In the case of MEPA, reliance was placed on the fact that a verification was performed by the Finance group as part of the creation of a vendor file number.

Neither of these processes provides adequate control to ensure that a contract is not inadvertently entered into with a current or former public servant in receipt of a pension.

6.4.1 Recommendation

Both CBSec and MEPA should establish a process to verify that a supplier is not a current or former public servant in receipt of a pension. Consideration should be given to working with CMM to develop an appropriate process that provides adequate control for this verification. The process could include a documented attestation from the contractor as to their status. Results of the verification should be included in the contract file.

6.5 Finding

Repeat sole source contracting by CBSec and MEPA with particular suppliers of non-technical services, such as publishing-related activities, could be perceived to be repeat contracting and/or contract splitting.

As per Treasury Board Secretariat policy, contracting authorities must not split contracts or contract amendments in order to avoid obtaining either approval required by statute, the Treasury Board Contracts Directive or appropriate management approval within the department or agency. Repeat commissioning

of a firm or individual without competition should not become a practice, even if the value of the contract is under the mandatory threshold for the calling of bids.

Within MEPA an instance of repeat contracting was noted which is currently being addressed via a competitive process with a request for proposal. Within CBSec, services for website design were contracted via sole source contracts with the same firm. These projects appear to be separate in nature and appropriate contracting rules were followed. However, due to lack of additional supporting information, an argument could be made that the work was interrelated, and that a larger dollar value contract should have been issued to avoid the perception of contract splitting.

In cases where there are a number of potential suppliers available, caution should be applied to ensure compliance with the principles of fairness and transparency. Suppliers of information technology services, such as website design, should be particularly monitored, given the range of available local suppliers within the Ottawa region.

6.5.1 Recommendation

Procedures should be put in place to ensure that contracting requirements are addressed using the appropriate contracting vehicle. For example, where it is known that further work will be required as a follow-on, these broader requirements should be identified, and services contracted accordingly.

In cases where sole source service contracts are the appropriate vehicle, justifications should be included on file, indicating the reasons for the selection of the particular supplier.

The use of appropriate contracting vehicles and appropriate documentation and justification minimize the risk of the appearance of contract splitting and ensures the upholding of the principles of openness, fairness, transparency and best value.

7.0 MANAGEMENT RESPONSE

Canadian Biotechnology Secretariat Management Response and Action Plan

Since the audit of March 2002, the Secretariat has undertaken to review positions that are responsible for Corporate Services and will endeavour to create an infrastructure to ensure it supports the recommendations of this audit and that staff is properly trained and experienced in contracting procedures. With increased staff more attention can be devoted in ensuring compliance with Government Contract Regulations, Treasury Board Secretariat Guidelines, Industry Canada Policies, file documentation and ensuring contracts are managed in relation to best value, open access, fairness and transparency.

The Secretariat will endeavour early in the next fiscal year to create source lists for technical and non-technical contracts. Given the level of technical expertise required in the field of Biotechnology for technical work and the limited resources available to fill this need, the Secretariat in consultation with Contracts and Material Management, the seven biotechnology departments and PWGSC will look at creating useful source lists to be used for contracting purposes. Once created these lists will be reviewed and updated as necessary on a regular basis and provided to Secretariat project officers for their use when negotiating contracts.

The Secretariat will also consider using the different contract processes available (i.e., call-up for Temporary Help rather than personal service contracts) when it is appropriate to do so. Attention has been paid to ensure that an employee/employer relationship is not developed or that one is portrayed. Temporary Help services contracted for more than a 20 week period will be approved by the Assistant Deputy Minister and will be supported with proper justification. In this fiscal year, we have had one instance where a temporary help contract was required more than a 20 week period while the staffing of a position occurred. The appropriate approvals and documentation were placed on file.

Contract file documentation has been strengthened and regular reviews are currently being conducted by the contracting officer. Our contracting officer is ensuring that all pertinent information regarding each contract is included on each contract file. Once contracts are completed, the contracting officer will ensure that the project officer completes the Contractor Evaluation Form and it will be added to the contract file prior to closing the file. Contract files that have contracts with specific deliverables such as interim and final reports will also have a copy of the report placed on file. Where this is not possible due to the classification of the deliverable (i.e., protected info) a reference will be placed on the file to where the copy of the report can be obtained.

For all personal services contracts, verification that the contractor is not a former or a current public servant will be done in writing and placed on the file. Our contracting officer will be discussing this with Contracts and Material Management this fiscal year in order to develop procedures or policies that can be used department wide.

Overall, the Canadian Biotechnology Secretariat is prepared to ensure that processes will be put in place to ensure that the contracting process is fair and transparent and that the contracting principles of best value and open access are followed. Early in the next fiscal year, arrangements will be made in consultation with Contracts and Material Management to provide training sessions on Contracting to all officers of the branch so that each officer is aware and will comply with the Government Contract Regulations, Treasury Board Secretariat Guidelines and Industry Canada's policies. Specific improvements to documentation practices that ensure a complete audit trail and effective monitoring of work are being established. Support mechanisms for staff are being put in place to facilitate ongoing education and compliance with existing Government of Canada standards.

Micro-Economic Policy Analysis Branch Management Response and Action Plan

Since the audit of March 2002, the Micro-Economic Analysis Branch has already undertaken some measures to create an infrastructure to ensure it supports the recommendations of this audit and that staff is properly trained and experienced in contracting procedures to ensure compliance with Government Contract Regulations, Treasury Board Secretariat Guidelines and Industry Canada Policies.

The Branch has already put the mechanism in place to identify all potential suppliers for technical work. From now on, for the major research projects containing several research papers, a general call for papers will be circulated to all major economics research universities in Canada. This call will be posted on Strategis web-site and published in MICRO, our semi-annual research publication whenever possible. Specifically we have already implemented this process for our major research projects, such as the call for papers relating to MEPA's recent initiatives of "Services and Knowledge Economy" and "Social and Labor Market Aspects of North American Linkages".

By the end of this fiscal year, the Branch will develop a source list of experts in major fields of research in which MEPA has an interest. These lists will be reviewed and updated as necessary and provided to Branch project officers for their use when seeking specialized academic expertise. These lists will be used for smaller research projects, where a general call for papers is not a cost-effective method for soliciting researchers.

For non-technical work, the Branch will use different contract processes available (i.e., call-up for Temporary Help rather than personal service contracts) as appropriate. Temporary Help services contracted for more than a 20 week period will be approved by the Assistant Deputy Minister and will be supported with proper justification.

At the time of the audit, repeat contracting was occurring for translation of economic-oriented research papers. Translating these technical papers requires special skills. At the time MEPA was in the process of running standing offer competitions for economic translation services. I am pleased to inform you that a winning firm has been identified and a standing offer agreement has been put into place. The majority of externally contracted translation services now fall under the standing offer agreement.

The contracting officer is responsible for maintaining the official contract files. Contract file documentation has been strengthened and regular reviews are currently being conducted by the contracting office. An additional signed contract will be kept with the contracting officer. All contracts generated will now be created with the full appendices and proposals will be attached to the contract. Furthermore, we will make best efforts to include all information in this file including e-mail correspondence and invoices. Project officers will provide this information to the contracting officer. These improvements in documentation practices will ensure a high degree of tractability.

Once contracts are completed, project managers will be required to make use of the contractor evaluation form and include this on file. Project officers will also be encouraged to include a copy of the comments in the file of the original author. Contract files that have contracts with specific deliverables such as interim and final reports will also have a copy of the report placed on file. To make sure that the deliverables meet the quality standards, all research papers are currently peer reviewed. The contracting officer will regularly review the contracting file documentation to ensure that all relevant material is being included in the files.

For all personal services contracts, verification that the contractor is not a former or a current public servant will be established through email enquiry prior to contracting. The verification documents will be placed in a file in MEPA.

In sum, MEPA has already implemented a number of recommendations made in the Audit Report and is taking further steps to improve contracting practices and ensure that the contracting process is fair and transparent and that the contracting principles of best value and open access are followed. An

arrangement will be made in consultation with Contracts and Material Management to provide training sessions on Contracting to officers of the branch to make them aware of the Government Contract Regulations, Treasury Board Secretariat Guidelines and Industry Canada's policies. As well, I will be circulating to all employees of MEPA a reminder about contracting practices and using existing tools (such as the Service Contracts Compliance Checklist). One person in the Branch will be responsible for a follow-up report to the DG in a year's time on contracting activity in MEPA.