

Audit of the Purchasing, Payables And Payments Process
Management Response and Action Plan – March 2012

Recommendations	Management Response and Planned Management Action	Deliverables	Expected Completion Date	Responsibility
<p>Recommendation 1</p> <p><i>It is recommended that the Chief Financial Officer ensure that the workflow and automated notifications of the system supporting the work of contract and requisition control committees is aligned with the underlying review process.</i></p>	<p>Management agrees with the recommendation</p> <p>The Chief Financial Officer Branch (CFOB) included the identification of options to replace the Contract Requisition and Reporting System (CRRS) in its 2011-2012 Operational Plan. An assessment of a potential migration to an SAP solution is currently being conducted. If this option cannot be implemented, alternative solutions will be considered. In the interim, a process to deal with the system issues was developed and implemented.</p>	SAP migration study report with recommendations	June 29, 2012	CFOB - Financial Operations Directorate (FOD), Materiel and Asset Management Division (MAMD)
		If needed, alternative solution study report with recommendations	October 31, 2012	CFOB - FOD (MAMD)
		Developed and approved migration implementation plan	December 31, 2012	CFOB - FOD (MAMD)
<p>Recommendation 2</p> <p><i>It is recommended that the Chief Financial Officer ensure that the revised monitoring strategy is based on a fulsome risk assessment and includes the extent and timing of ongoing testing for the Purchasing, Payables and Payments Process.</i></p>	<p>Management agrees with this recommendation.</p> <p>The CFOB has revalidated the purchasing, payables and payments flowcharts and control matrices with the regions. This information will be used to revise the monitoring strategy as per a new risk assessment. This strategy will identify key controls to be tested with scope (reduced or full testing) as well as timelines for the Purchasing, Payables and Payments Process. Implementation of the strategy will be completed through the conduct of relevant testing, followed by a report identifying gaps and corrective actions.</p>	New risk assessment	June 29, 2012	CFOB - FOD Internal Control Division (ICD)
		Revised risk-based monitoring strategy	June 29, 2012	CFOB - FOD (ICD)
		Report on results of the monitoring, including the identification of gaps and corrective actions	December 31, 2012	CFOB - FOD (ICD)

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<p>Recommendation 3</p> <p><i>It is recommended that the Chief Financial Officer, in collaboration with the assistant deputy ministers of the First Nations and Inuit Health Branch (FNIHB) and the Regions and Programs Branch (RAPB), ensure that:</i></p> <ul style="list-style-type: none"> ▪ <i>purchase requisitions are used when applicable; and</i> ▪ <i>written contracts are put in place for the procurement of mental health services not covered under the Non-Insured Health Benefits Program.</i> 	<p>Management agrees with the recommendation</p>	<p>Develop the process for the implementation of LPOs for mental health services</p>	<p>March 1, 2013</p>	<p>CFOB - FOD (MAMD) in collaboration with FNIHB and RAPB</p>
	<p>The CFOB will work with FNIHB to develop clear processes for the implementation of local purchase orders (LPOs), in line with CFOB directives for contracting for services, to ensure that contracts are put in place, when applicable, for mental health services.</p>	<p>Communiqué to inform all key stakeholders on process</p>	<p>March 29, 2013</p>	<p>CFOB - FOD (MAMD) in collaboration with FNIHB and RAPB</p>
	<p>The CFOB will communicate the importance of the proper use of purchase requisitions and the requirement to have written contracts in place before acquiring the goods and/or services.</p>	<p>Health Canada Broadcast News</p>	<p>March 30, 2012</p>	<p>CFOB - FOD (MAMD)</p>
		<p>Newsletter article to procurement officer community</p>	<p>September 28, 2012</p>	<p>CFOB - FOD (MAMD)</p>
	<p>The CFOB will integrate the assessment of the proper use of contracts for mental health services in the Annual Contract Verification Exercise.</p>	<p>Modified Annual Contract Verification Process, including targeted testing on the use of contracts for mental health services</p>	<p>November 30, 2012</p>	<p>CFOB - FOD (MAMD)</p>

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<p>Recommendation 4</p> <p><i>It is recommended that the Chief Financial Officer, in collaboration with the Assistant Deputy Minister of the Regions and Programs Branch, ensure that complete and accurate documents and information are entered in the Department's Contract Requisition and Reporting System.</i></p>	<p>Management agrees with the recommendation.</p> <p>The CFOB will ensure that the document requirements to support the contracting workflow are included as part of the CRRS migration strategy discussion in the audit report's 1st recommendation.</p>	<p>See recommendation #1</p>		
<p>Recommendation 5</p> <p><i>It is recommended that the Chief Financial Officer, in collaboration with the Assistant Deputy Minister of the Regions and Programs Branch, ensure:</i></p>	<p>Management agrees with the recommendation</p> <p>As part of a broader CFOB priority initiative, Procure-to-Pay in SAP, the workflow for the acquisition of goods and services will be reviewed to ensure alignment with contracting policies, processes and guidelines. The Procure-to-Pay initiative includes an element of communication and training that will be used to influence behavioural change.</p>	<p>Procure-to-Pay, Phase II Procurement Workflows pilot</p>	<p>April 30, 2013</p>	<p>CFOB - FOD (MAMD) and Accounting Operations and Systems (AOSD)</p>

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<ul style="list-style-type: none"> ▪ <i>the appropriate use of confirming orders for the acquisition of goods and services in the absence of a contract; and</i> ▪ <i>that the requisitions and amendments are approved by the appropriate member of the Contract and Requisition Control Committee.</i> 	<p>The CFOB will review and improve the training material, where necessary, for materiel and assets management to ensure it clearly reflects that confirming orders is to be used only under exceptional circumstances. It will also conduct awareness sessions with Contract and Requisition Control Committee (CRCC) members to stress the necessity of enforcing the departmental policies, processes and guidelines including the requirement that CRCC chairs approve purchase requisitions greater than \$25,000 and contract amendments.</p>	<p>Improved materiel and assets management training material</p> <p>Awareness sessions to CRCC members conducted within in a 9-month period</p>	<p>December 31, 2012</p>	<p>CFOB - FOD (MAMD)</p>
	<p>The CFOB will integrate the assessment of compliance to approval thresholds in the Annual Contract Verification Exercise.</p>	<p>Modified Annual Contract Verification Process including targeted testing on approval thresholds</p>	<p>November 30, 2012</p>	<p>CFOB - FOD (MAMD)</p>