

Audit of Procurement and Contract Management

Final Report

Chief Planning and Audit Officer Branch
Internal Audit Division
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Executive Summary

The Office of the Chief Electoral Officer's (OCEO's) core responsibility is to prepare for and deliver general elections, by-elections and federal referendums in accordance with the legal framework, while ensuring integrity throughout the electoral process and promoting regulatory compliance.

To support its ability to conduct an electoral event at any time, the OCEO must maintain a certain level of readiness. This includes being ready to provide the goods and services needed to conduct a general election or by-election.

Procurement and Contracting Services (PCS) is responsible for ensuring overall compliance with procurement and contracting policies, procedures, and due diligence requirements. Its duties include fostering collaborative relationships with business owners to develop procurement and contracting management practices that comply with operational requirements in order to achieve the best overall value, ensure sound stewardship and maintain integrity of the process.

What we examined

The first objective of the audit focused on assessing the effectiveness of governance and controls over procurement and contracting activities. The second objective addressed contract management and assessed whether business owners carry out their contracting management responsibilities in an efficient, effective and compliant manner.

The scope of the audit included the roles, responsibilities, accountabilities, authorities, policies, procedures and control mechanisms associated with the OCEO's procurement and contracting activities. The audit covered both the contracting authority (procurement advisors) and the technical authority (business owners).

An analysis of a sample of contracts awarded between April 2020 – December 2022 was conducted including an assessment of compliance with the OCEO's Delegation of Financial Signing Authorities Chart and adherence to the *Government Contracts Regulations*.

Why it is important

The *Canada Elections Act* (CEA) provides the OCEO with specific and unique authorities, including the authority for the Chief Electoral Officer to contract for goods and services independently from Public Services and Procurement Canada (PSPC). Despite its ability to engage in procurement activities independently, the OCEO is a "department" for the purposes of the *Financial Administration Act* (FAA) and related Treasury Board policies and directives. As such, the OCEO is generally bound by the rules and policies that apply to other departments with respect to procurement and contracting activities, except where such rules conflict with the Chief Electoral Officer's independent status and mandate.

Notably, as an Agent of Parliament the OCEO is solely responsible for monitoring and ensuring its own compliance with Government of Canada policies and taking action in the event of non-compliance.

What we found

For the first objective, a number of governance and high-level controls were tested and resulted in four recommendations. It was found that procurement and contracting activities are not always aligned with the governance structure. More effective management and compliance control practices for these activities should be implemented by management.

Specifically:

- The procurement and contracting governing framework must be updated to ensure compliance with TBS policies and directives.
- Implementing a comprehensive oversight regime will help ensure compliance with the updated framework as well as appropriate monitoring of procurement and contract management activities.
- Additional training programs for both procurement advisors and business owners need to be developed, and better monitoring will be required to ensure that mandatory training is completed.
- Improved recordkeeping practices must be implemented for appropriate storage and organization of electronic procurement and contracting files.

The second objective was focused on effective contract management, including business owners having a sufficient understanding of the processes, responsibilities and context, as well as applicable legislative and policy requirements. Observations were:

- With one exception, business owners had the appropriate delegated authority to commit funds for the contracts sampled. Limitations due to the transition of financial systems during the scope period made it impossible to ascertain overall compliance with the OCEO's Delegation of Financial Authorities Chart within the timeframe of this audit.
- While business owners individually monitor aspects of contract management, the findings in Objective 1 likely contributed to inconsistencies and inefficiencies in contract management by business owners.

Due to the nature of the findings in Objective 1, further testing of individual contract management was not warranted at this time. A further audit on contract management will be considered once audit recommendations have been implemented.

Overall, this audit found that OCEO's procurement and contracting processes do not demonstrate the levels of internal control required to ensure full compliance with applicable policies, guidelines and legislative requirements. While this audit resulted in four recommendations designed to improve and address gaps in governance and oversight, one final overarching recommendation is that the organization consider the creation of a policy and compliance function within PCS to complement its operational function. Additional capacity focused on strengthening the internal control regime will help the OCEO meet its obligations to

independently monitor its compliance with TBS policies and directives and strengthen contract management capacity.

Management's response

Management acknowledges the audit findings, agrees with the recommendations included in the report and has developed management action plans to address the recommendations. The [management action plans](#) have been integrated into this report.

Statement of Assurance

In the professional judgment of the Chief Audit Executive, sufficient and appropriate audit procedures have been conducted and evidence has been gathered to support the accuracy of the conclusions of the audit. The findings and conclusions of the audit are based on a comparison of the conditions that existed at the time of the audit, as described in the scope of the audit determined by management-approved, pre-established audit criteria. The findings and conclusions of the audit apply only to the activities reviewed.

This audit engagement was planned and conducted in accordance with the Government of Canada's *Policy on Internal Audit* and related instruments.

1. Introduction

1.1. Authority for Audit

The mission of the Internal Audit function of the Chief Planning and Audit Officer Branch is to provide independent and objective assurance services. These services are designed to add value and improve the operations of EC. Internal Audit helps EC to accomplish its objectives by bringing a systematic, disciplined approach to assessing and improving the effectiveness of risk management, control and governance. Elections Canada's [Internal Audit Charter](#) dictates the responsibilities and accountabilities of the internal audit function and provides authority to carry out the audits identified in the risk-based audit plan.

The Audit of Procurement and Contract Management was included in the *Risk-based Audit Plan 2023–25*. The Audit Committee recommended approval of the audit plan to the Chief Electoral Officer in May 2023.

1.2. Context

The OCEO's core responsibility is to prepare for, deliver and report on federal elections, by-elections and referendums in accordance with the legislative framework, while ensuring the integrity of the electoral process and promoting regulatory compliance.

To be in a position to deliver an electoral event at any time, the OCEO must maintain a certain level of readiness. This includes procuring the goods and services needed to conduct a general election or by-election.

Within the agency, the Office of the Chief Financial Officer provides procurement services and contract management support through the Procurement and Contracting Services (PCS) division. The executive in charge of PCS is the Senior Director, Procurement, Facilities and Workplace Innovation.

At the time the audit took place, there were 25 positions in PCS; 6 of these were staffed by indeterminate employees, 12 were staffed by term employees and 7 were vacant. Between January 1, 2020, and December 31, 2022, PCS employees were responsible for supporting the purchase of \$381 million worth of goods and services and signing 619 contracts respectively worth more than \$10,000. During this same time frame, PCS supported 160 technical authorities in a variety of procurement and contracting activities.

Roles and Responsibilities

Procurement and contracting activities involve three primary internal stakeholders: the PCS division, contracting authorities (procurement advisors) and technical or project authorities (business owners).

The PCS division is responsible for acquiring goods and services and supporting the integrity of the agency's procurement and contracting activities by applying the principles of competitive procurement, consultation, equity, openness and transparency. This includes ensuring that procurement and contracting activities comply with all relevant policies, procedures and operational and due diligence requirements.

Within PCS, individual **procurement advisors** are responsible for supporting business owners by providing context-specific advice and guidance based on expert knowledge of relevant policies, procedures and regulations of the Government of Canada and OCEO. This includes developing responsive, creative and flexible procurement strategies and ensuring delegated signing authorities are identified and applied appropriately. The Chief Electoral Officer has delegated contracting authority to procurement advisors as outlined in OCEO's Delegation of Financial Signing Authorities Chart.

Business owners are responsible for establishing business and operational requirements, evaluating proposals received and managing the contract performance. From a financial perspective, business owners are responsible for securing and committing funds, certifying that goods and services have been received, and ensuring that invoices are processed and paid within appropriate timelines.

Legislative and Policy Requirements

The OCEO is governed by the *Canada Elections Act* (CEA). This audit touches on paragraph 18.2 and section 21 of the CEA on delegation of authority.

Paragraph 18.2(4) authorizes the OCEO to engage in procurement activities independently of Public Services and Procurement Canada (PSPC). The OCEO's independent contracting authority reflects its mandate, as it must be ready to hold an electoral event at any time while also maintaining its independence from Parliament. Its procurement authority complements the agency's ability to access the Consolidated Revenue Fund (section 553 of the CEA) for electoral event expenses without parliamentary appropriation. These two components are crucial to the OCEO's independence as an institution.

Despite its ability to engage in procurement activities independently of PSPC, the OCEO is a "department" for the purposes of the *Financial Administration Act* (FAA) and related Treasury Board policies and directives including the *Policy on the Planning and Management of Investments* (2021) and the *Directive on the Management of Procurement* (2021). As such, the OCEO is generally bound by the rules and policies that apply to other departments with respect to procurement and contracting activities, except where such rules conflict with the Chief Electoral Officer's independent status and mandate.

As an agent of Parliament, the OCEO is solely responsible for monitoring and ensuring compliance with policies of the Government of Canada and taking action in the cases of non-compliance.

1.3. Objectives

The audit had two objectives. The first objective was to assess the effectiveness of governance and controls over procurement and contracting activities. Effective governance and controls is a combination of processes and structures that are implemented by management to inform, direct, manage, and monitor the activities of the organization. It includes frameworks, policies, guidelines, directives, an action plan, job descriptions, performance reviews, training, and an oversight mechanism.

The second objective was to assess whether business owners properly carry out their contracting management responsibilities in an efficient, effective and compliant manner. To do so, business owners must have sufficient understanding of the processes, responsibilities and context, legislative and policy requirements and have access to high-quality advice and guidance from procurement advisors.

Specifically, the objectives were to:

1. Assess the effectiveness of controls over the procurement and contracting process.
2. Assess whether business owners properly carry out their contract management responsibilities.

1.4. Scope

The scope of the audit included the roles, responsibilities, accountabilities, authorities, policies, procedures and control mechanisms associated with the OCEO's procurement and contracting framework. The audit covered two areas of activity: the contracting authority (procurement advisor) and the technical authority (business owner).

An analysis of a sample of contracts awarded between April 2020 – December 2022 was conducted including the financial delegations under sections 32 and 34 of the FAA and adherence to the *Government Contracts Regulations*.

Contracts related to leases, acquisition cards and contracts that PSPC or Shared Services Canada (SSC) entered into on behalf of the Chief Electoral Officer were not included in this audit. The audit also did not consider decision-making activities leading to a decision to conduct a procurement activity, or the value-for-money of individual contracts. The procurement of external legal services follow a different process and were not included in the scope.

1.5. Approach and Methodology

The audit methodology was guided by the Government of Canada's *Policy on Internal Audit* and related policy instruments, which include conducting audits in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

The planning phase consisted of:

- interviewing senior management to discuss the scope of the audit
- reviewing organizational and operational information published on the intranet and obtained from management
- determining applicable legislation, policies, directives and other instruments
- assessing risks to develop objectives and scope
- establishing [audit criteria](#)
- validating the plan with management
- developing testing procedures and testing strategy

The audit fieldwork was conducted from June 2023 to January 2024 and included:

- reviewing a randomly chosen sample of 28 contracts of varying complexities and monetary value
- interviews with 28 staff members involved in various procurement or contracting activities:
 - eight procurement advisors representing the contracting authority
 - 16 business owners representing the technical authority
 - three employees of the Office of the Chief Financial Officer
 - one member of the Contract Review Committee
 - observing of the opening of an electronically received bid
- a survey of 26 suppliers holding contracts for goods and services with the OCEO
- analysis of audit results against the audit criteria
- documentation of observations and findings

When the fieldwork concluded, recommendations for management were developed in areas where opportunities for control improvements were identified.

2. Findings and Recommendations

Objective 1: To assess the effectiveness of controls over the procurement and contracting process.

2.1.1. Governance

Procurement and contracting activities must be governed by clear authorities, guidelines, and a control environment that is appropriate, comprehensive and effective. Key elements of the control environment include establishing roles and responsibilities for stakeholders, clear accountabilities for those with delegated authority, and systems, procedures, tools and management oversight to ensure compliance with applicable legislative and policy requirements and that consistency and rigour are applied throughout all relevant processes.

Governing Framework

The OCEO's governing framework includes four main documents that are intended to guide employees and outline the requirements for procurement and contracting activities:

- The OCEO Procurement and Contracting Framework, dated 2016, provides an overview of the procurement and contracting process at Elections Canada and includes tips on how to effectively initiate and execute a procurement requirement.
- A one-page overview of corporate contract governance, dated August 2016, that summarizes the authorities, responsibilities and obligations of stakeholders and provides high-level information on procurement and contracting procedures and legislative obligations.
- The *Procurement and Contracting Policy*, dated June 2020, that identifies the roles associated with procurement and contracting and outlines the policy and legislative framework within which these roles operate. This policy also provides an overview of best practices and guiding principles.
- The *Procurement and Contracting Guide*, dated August 2016, that groups together the detailed contextual and procedural information required for procurement advisors and business owners to appropriately fulfill their procurement and contracting responsibilities.

The audit revealed that OCEO's governing framework is out of date and incomplete with regard to the requirement of section 4.1.2 of the *TBS Directive on the Management of Procurement*. In the instance of the OCEO's *Procurement and Contracting Policy*, while the mandatory five-year review provided for therein will not be initiated until 2025, changes to TBS policy instruments which came into force in May 2021 should have triggered a corresponding event-based review. In the instance of the *Procurement and Contracting Guide*, section 3 of the document states that reviews must take place on a biennial basis. This means that in addition to the risk that the document no longer aligns to the latest TBS policies and directives, at least three regular reviews have been missed.

Recommendation 1

It is recommended that the governing framework for procurement and contracting activities be reviewed and updated to ensure full compliance with TBS policies and directives, and be effectively communicated to all relevant stakeholders.

Oversight

Oversight mechanisms are crucial for sound procurement and contract management and are essential in ensuring that procurement advisors and business owners are meeting their obligations under OCEO and TBS requirements.

As per TBS policy, as an agent of Parliament the Chief Electoral Officer is solely responsible for monitoring and ensuring compliance with the policy within their organization and for responding to cases of non-compliance.

The audit noted that the governing framework, which includes the four documents cited above did not include sections on the oversight of procurement and contracting activities, as required by TBS policy, other than the oversight of the performance of contractors' work. The sections below outline oversight mechanisms present at the OCEO.

Contract Review Committee

The OCEO created the Contract Review Committee (CRC) in 2018. The committee provides recommendations, advice and strategic direction to the Chief Financial Officer and sector managers and provides recommendations to the Chief Electoral Officer as required. Total contract value is one of the criteria used to determine whether a review by the CRC is required.¹

The audit found that while the terms of reference state that "CRC meetings will typically occur on a monthly basis, as needed", the CRC interacts two to three times a year, either by convening a meeting or conducting email consultations. Four procurement files requiring approvals from the CRC were part of the audit sample. Following a thorough search of files and discussions with key resources, only one briefing note and one email outlining a record of decision was found. No agendas or meeting minutes were located. The CRC does not produce any common governance artefacts such as agendas or meeting minutes, which would be expected given the mandate of the committee.

¹ The threshold for total contract value differs depending on whether the procurement strategy is competitive or non-competitive.

Reports on Procurement Activities

Governing framework documents that outline the requirements for procurement and contracting activities and the work descriptions of procurement advisor both refer to the production of reports on procurement activities. Included among these quarterly reports would be an analysis of contracting activity data that identifies procurement trends. The quarterly analysis reports should also include oversight observations, an overview of the procurement plans of various divisions, and they should confirm alignment with the agency's investment plan.

The audit revealed that the OCEO produces no such reports. Because the collection of information about procurement needs is not coordinated, this creates a risk of overlap in effort and spending across the organization.

Performance Measurement

Though PCS has established service standards, in interviews procurement advisors indicated that the highly manual process for tracking and monitoring against these standards was inefficient and prone to error. Since there was no further evidence of performance indicators being used to assess procurement services, there is a risk that PCS may not have an accurate understanding of the ability of procurement advisors to meet service standards or be able to identify opportunities for improvement. Note that the audit did not assess service standard compliance to confirm whether contracting requests were processed within the prescribed deadlines.

The audit did investigate whether the annual performance management agreements for procurement advisors and business owners included work objectives related to procurement activities. While there was an adequate evaluation model for procurement advisors, objectives for business owners were limited to ensuring that procurement activities were listed in the sector's procurement plan and that the related financial requirements were met.

There was no other evidence that PCS conducted oversight over existing procurement and contracting files to assess accuracy, completeness, and opportunities for improvements. More details are available in section [2.1.3 Records Management](#).

Recommendation 2

It is recommended that a comprehensive oversight regime be developed and implemented to ensure compliance with the governing framework and appropriate monitoring of procurement and contract management activities.

2.1.2. Training and Support

Training

Procurement advisors and business owners require training to effectively carry out their duties and act ethically.

OCEO's intranet website includes information, documents, forms and templates designed to support procurement advisors and business owners. A mandatory authority delegation training program for managers in positions with delegated signing authority is also offered by the Canada School of Public Service (CSPS).

When interviewed, procurement advisors described several shortcomings of the training regime in PCS, including varying levels of training opportunities across teams, insufficient leadership-specific guidance and training for team leads, and insufficient clarity regarding which PCS and CSPS courses were mandatory. For example, while management indicated that several CSPS courses were mandatory the employees that were interviewed indicated that most CSPS training was optional. The only training that was consistently understood to be mandatory was the CSPS courses in the authority delegation training program.

Several business owners interviewed felt that they would benefit from receiving training on procurement and contract management, particularly as it relates to developing and drafting statements of work, as well as more advice and guidance on how to best perform their duties, especially in large-scale procurement situations.

Recommendation 3

It is recommended that additional training programs be developed for both procurement advisors and business owners that address knowledge requirements and current knowledge gaps for both groups. Courses in each program should clearly be identified as either mandatory or optional, and individual completion statuses for mandatory courses should be monitored.

Advice and Guidance

Quality advice and guidance is essential in supporting business owners throughout the procurement and contract management lifecycle.

The provision of advice and guidance is an integral part of the work descriptions² of procurement advisors. Interviews revealed that the advice provided to business owners is, at times, inconsistent and inadequate, which leads to contract anomalies and delays in execution.

² Job descriptions PG-03, PG-04 and PG-05 levels dated January 2017

For example, procurement advisors are sometimes unable to provide the information required, or do not know where to find it. Consequently, business owners may not have all the information they need to make informed decisions that meet their requirements and objectives.

Several people who were interviewed also mentioned a high turnover rate among procurement advisors which may have impacted their perception of quality. The workforce appears to have stabilized in the months following the audit fieldwork.

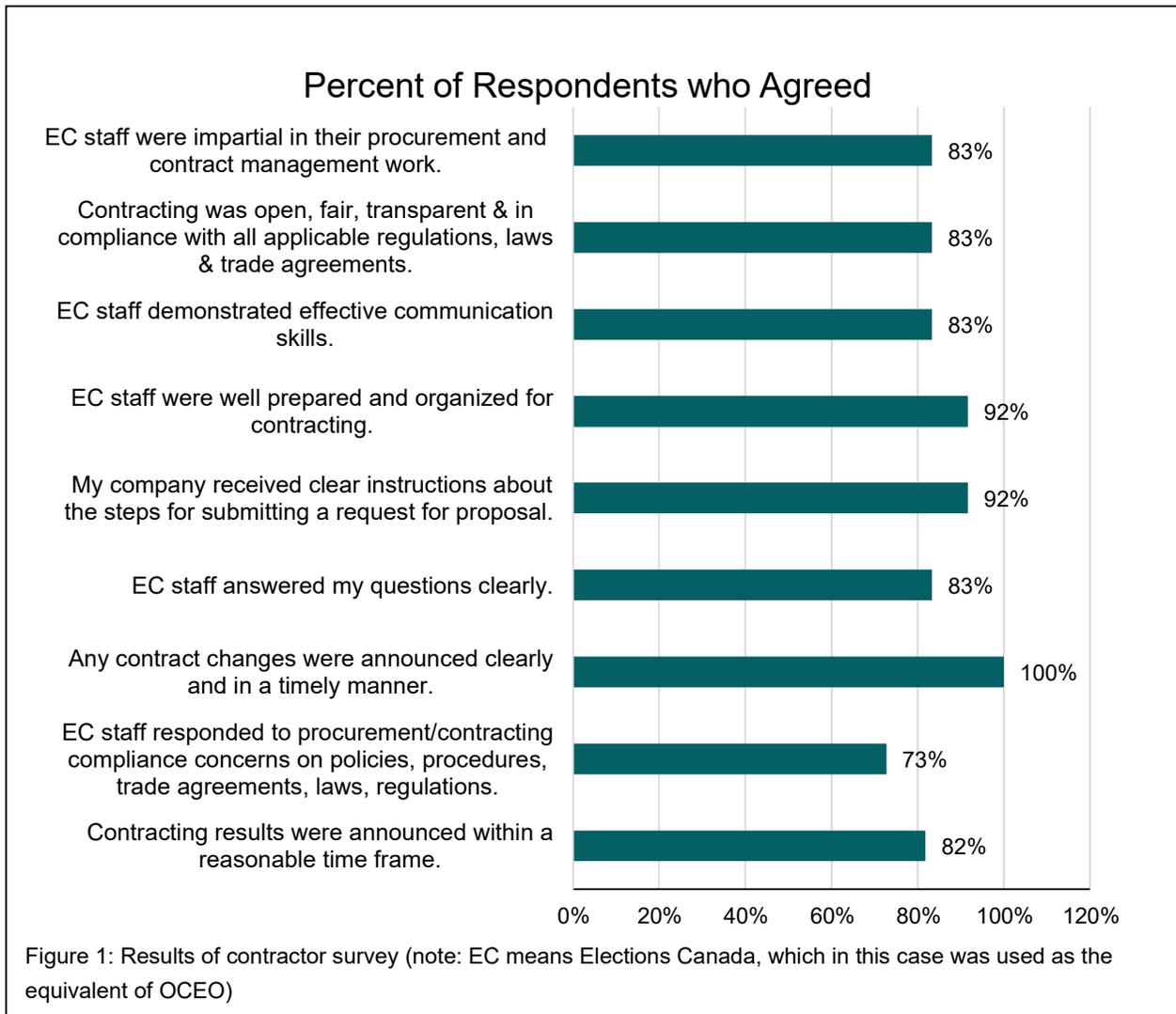
Market Analysis

As indicated in the *Directive on the Management of Procurement*, market analysis is a key component in the procurement planning stage in order to better understand industry capacity and availability and is a foundation to quality advice and guidance by procurement advisors. The audit revealed that the OCEO does not have market analysis capabilities to obtain market analysis information in a regular and timely fashion.

Support for Contractors

Procurement advisors also support business owners by interacting with contractors. In a survey, contractors³ expressed a high level of satisfaction over their interactions with procurement advisors. Overall, the majority of respondents (83%) found that procurement advisors were impartial and that procurement and contracting were done openly, fairly, transparently and in compliance with all applicable regulations, laws and trade agreements. Respondents also agreed (83%) that OCEO staff demonstrated effective communication skills, that instructions and contract amendments were announced clearly and in a timely manner. Furthermore, 92% of respondents agreed that OCEO staff were well prepared, and that staff answered their questions clearly. See figure 1 for complete survey results.

³ 12 out of the 26 contractors surveyed responded to the survey



Implementing the recommendations outlined in this report will strengthen PCS’s capacity to provide quality advice and guidance to improve the overall business owner experience throughout the procurement and contract management life cycle. Recommendation 5, below, also addresses this area for improvement.

2.1.3. Records Management

To assess compliance with the *Procurement and Contracting Guide* and the relevant TBS policy instruments, a computer-generated random sample⁴ of 28 procurement and contracting files was selected for a detailed review. The review focused on key documents, such as the statement of work and the procurement request form, as well as security requirements and signatories’ names and dates of signature. The existence of mandatory forms, namely the risk

⁴ The sampling population was limited to contracts worth over \$10,000 and included both competitive and non-competitive procurement processes, as well as standing offers

assessment checklist and the contractor performance evaluation form, was also verified for the procurement of goods over \$25,000 and services over \$40,000.

File Content

While the majority of procurement files included the statement of work, the procurement request form, and the security requirements, the file review revealed gaps in the completeness and safeguarding of contract documentation. For example, in two instances files contained copies of contracts that were not duly signed by both parties. In another case, we were unable to find the contract in the files that were provided. Extensive research was required to assess compliance as contracts were often filed in locations other than expected. While it is possible that copies of these contracts exist elsewhere in the agency, in keeping with appropriate recordkeeping practices, and the requirement to maintain accurate and comprehensive procurement records, official versions of the contract should remain with PCS and be saved in GCdocs.

Other documents could not be consistently located in the files as well; at the time of the audit, only one file contained a risk assessment checklist that was duly filled out and signed by the procurement advisor and none contained a contractor performance evaluation form. When key controls like the risk assessment checklist are not leveraged, there is a risk that procurement advisors will not manage their files consistently, which may result in non-compliance with the applicable policy instruments.

Recordkeeping

The OCEO uses the Government of Canada's standard electronic document and records management solution, GCdocs. In addition to the gaps mentioned above, the audit also revealed inconsistency in the naming convention and/or structure for managing electronic files; even though section 29.3.2 of the *Procurement and Contracting Guide* is clear on the maintenance of files:

The procurement advisor is responsible for the management, organization, retention and safekeeping of the procurement file. As part of that responsibility, the procurement advisor must ensure that the procurement file is properly documented and kept up to date in accordance with the appropriate checklist. Good file management practices will ensure that the procurement file is complete and organized when others need to access it. The procurement file may need to be made available to members of other sectors of Elections Canada or to external parties in the event of an audit, a request under the Access to Information Act or the Privacy Act, or a complaint under the Canadian International Trade Tribunal.

During the audit, it was observed that it was sometimes difficult to locate documents, and to determine whether documents were missing or had just been misfiled. The overall control of the electronic procurement files could not be demonstrated.

Recommendation 4

It is recommended that PCS implement appropriate recordkeeping practices for all active and future procurement and contracting files that enable OCEO to manage and protect the integrity of procurement and contracting information and support informed decision making.

Objective 2: To assess whether business owners properly carry out their contract management responsibilities.

2.2.1. Delegated authorities

Delegation of financial authorities is a key internal control within the expense management process.

In accordance with the OCEO's Delegation of Financial Signing Authorities Chart Guide, (i) payment for a contract can only be committed if there are sufficient funds available to discharge any debt that will be due under the contract (commitment authority) and (ii) no payment shall be made unless the Chief Electoral Officer or a person with appropriate delegated financial authority certifies that the work has been performed or the goods supplied or the service rendered, and that the price charged is in accordance with the contract, or if not specified by the contract, is reasonable (certification authority).

The OCEO renewed its Delegation of Financial Signing Authorities Chart in April 2022. This chart enables the Chief Electoral Officer to delegate the above-described signing authorities to employees as appropriate, empowering them to act on their behalf in financial matters⁵. It includes specific levels of approval for the procurement and contracting process. The Office of the Chief Financial Officer is responsible for ensuring that the departmental financial management system includes an accurate and up-to-date table of delegated authorities.

The delegated authority of business owners was examined as part of the analysis of a sample of procurement files. The analysis of the sample showed that business owners had the appropriate level of authority required to manage their contracts, though there was one contract for which the business owner did not have the required delegated authority as of the contract date. The audit revealed that some business owners expressed that they were unsure of their financial signing authority level.

⁵ The Office of the Commissioner of Canada Elections has a separate delegation of financial signing authorities chart.

During the time period from which the sample was selected, the OCEO underwent a transition of financial systems. This system change inhibited the ability to validate certain aspects of the financial signing authorities within the timeframe of this audit. Consequently, we cannot confirm whether the duties performed by all business owners complied with the Delegation of Financial Signing Authorities Chart, and other applicable policies. However, in its audit report for the year ending March 31, 2023, the Office of the Auditor General of Canada (OAG) noted a history of differences found in the note to the financial statements and identified weaknesses in the internal controls surrounding the management of a significant multi-year contract which resulted in the amount approved being exceeded.

2.2.2. Contract Management

Effective contract management requires the business owners to have a sufficient understanding of the processes, responsibilities and context, as well as legislative and policy requirements. They also require access to high-quality advice and guidance from procurement advisors.

As previously mentioned, business owners receive limited training, which makes it difficult for them to fully understand their responsibilities and accountabilities. This was illustrated when most business owners interviewed indicated that they were unaware of the *Procurement and Contracting Guide* and associated documents.

There was no evidence of regular working-level meetings involving contractors. In one example, a business owner interviewed was unable to provide meeting agendas, minutes, or action items for bi-weekly meetings with a contractor on a large scale, complex contract, though these meetings were identified as a risk mitigation strategy for several contract related risks.

There was also inconsistent use of formal post-mortem meetings between PCS and business owners to share procurement and contracting results and best practices and recommend procedural improvements. Interviews revealed that post-mortem sessions sometimes take place, but these sessions are not part of an established process. These gaps were especially concerning in the instance of high-value contracts spread out over longer periods of time and present a risk to effective contract management.

The absence of formal mechanisms for monitoring contractor deadlines, resources, costs, and timelines can indeed lead to gaps and disparities in quality of contract management. While business owners do individually monitor these aspects, not having standardized processes can result in inconsistencies and inefficiencies. Business owner performance evaluations did not list specific procurement and contracting objectives, even when they managed large scale and/or complex procurement projects. The only accountability mechanism found is the responsibilities related to the Delegation of Financial Signing Authorities Chart. It should be noted, however, that there is a requirement for business owners to include planned procurement and contracting activities in sector procurement plans and adherence to this requirement is included in the executive performance evaluation.

Even though business owners individually monitor aspects of contract management, limited training, inconsistent advice and guidance and insufficient standardized monitoring mechanisms have contributed to inconsistencies and inefficiencies in contract management.

Consequently, the audit found that improvements are needed to ensure that business owners understand the authorities, responsibilities and accountabilities they hold under the procurement and contracting framework. Further auditing in the area of contract management could be warranted once audit recommendations have been implemented.

3. Conclusion

Overall, this audit found that OCEO's procurement and contracting processes do not demonstrate the levels of internal control required to ensure full compliance with applicable policies, guidelines and legislative requirements. While this audit resulted in four recommendations designed to improve and address gaps in governance and oversight, one final overarching recommendation is that the organization consider the creation of a policy and compliance function within PCS to complement its operational function. Additional capacity focused on strengthening the internal control regime will help the OCEO meet its obligations to independently monitor its compliance with TBS policies and directives and strengthen contract management capacity.

Recommendation 5

It is recommended that PCS create a policy and compliance function to complement its operational function.

4. Acknowledgements and Contacts

We wish to express our appreciation to the staff and management of Procurement and Contracting Services as well as other interviewees and survey respondents who participated in this audit.

Audit contact:

Assistant Director, Internal Audit

Management contacts:

Senior Director, Procurement, Facilities and Workplace Innovation

Assistant Director, Procurement and Contracting Services

Appendix A: Audit Criteria

Objective #1: To assess the effectiveness of controls over the procurement and contracting process.

Criteria

- 1.1. OCEO has established a procurement and contracting framework that outlines the authorities, responsibilities and accountabilities of procurement and contracting and technical authorities and has adequately communicated it.
- 1.2. Procurement and contracting activities are carried out in compliance with applicable policies, procedures, trade agreements, laws and regulations.
- 1.3. Effective monitoring mechanisms are in place to ensure compliant procurement and contracting activities.
- 1.4. Procurement advisors have the guidance, tools and training they need to perform their duties effectively. They conduct themselves in an ethical manner.

Objective #2: To assess whether business owners properly carry out their contract management responsibilities.

Criteria

- 2.1. The technical authority understands their authorities, responsibilities and accountabilities with respect to contract management.
- 2.2. The technical authority has received adequate guidance to be able to properly exercise their responsibilities for contract management.
- 2.3. Tasks performed by technical authorities are carried out in accordance with sections 32 and 34 of the Financial Administration Act, the Government Contracts Regulations, and other relevant policy instruments

Appendix B: Recommendations and Management Action Plans

Recommendation	Management Action Plan
<p>1. It is recommended that the governing framework for procurement and contracting activities be reviewed, updated to ensure full compliance with TBS policies and directives, and effectively communicated to all relevant stakeholders.</p>	<p>Management agrees with the recommendation. The Assistant Director and Team Leader, PCS, will review and update the Procurement Framework as well as procurement roles and responsibilities. They will also develop and implement an action plan to align with the TBS Directive. Following any required changes, they will develop a communications plan for the organization and suppliers.</p> <p>All actions to be completed by March 31, 2026.</p>
<p>2. It is recommended that a comprehensive oversight regime be developed and implemented to ensure compliance with the governing framework and appropriate monitoring of procurement and contract management activities.</p>	<p>Management agrees with the recommendation. The Assistant Director, PCS, will be responsible for ensuring PCS is aligned with the corporate governance structure, including the creation of a Procurement Review Committee. They will also revise the procurement escalation matrix, develop a procurement risk management framework, and enhance the planning and reporting mechanism. These actions will create better oversight and monitoring.</p> <p>All actions to be completed by December 31, 2025.</p>
<p>3. It is recommended that additional training programs be developed for both procurement advisors and business owners that address knowledge requirements and current knowledge gaps for both groups. Courses in each program should clearly be identified as either mandatory or optional, and individual completion statuses for mandatory courses should be monitored.</p>	<p>Management agrees with the recommendation. In order to improve training, the Senior Director and Assistant Director, PSC will work with Human Resources to align learning plans with the new Government of Canada Procurement Community Competencies, and track and enforce mandatory training. The Assistant Director, PCS will also be responsible for implementing an attestation process for business owners and increasing awareness of the possibility of conflicts of interest throughout the procurement process.</p> <p>All actions to be completed by March 31, 2025.</p>

Recommendation	Management Action Plan
<p>4. It is recommended that PCS implement appropriate recordkeeping practices for all active and future procurement and contracting files that enable OCEO to manage and protect the integrity of procurement and contracting information and support informed decision making.</p>	<p>Management agrees with the recommendation. The Team Leader, Procurement Modernization will work with Financial Services to implement case management software. In addition, the Assistant Director, PCS will review and enhance the use of GCDocs for file management and work with Financial Services to better use SAP reporting. Finally, we will undertake procurement lessons learned exercise with the enterprise project management office for complex procurements to identify further improvements.</p> <p>All actions to be completed by June 30, 2025.</p>
<p>5. It is recommended that PCS create a policy and compliance function to complement its operational function.</p>	<p>Management agrees with the recommendation. The Assistant Director and Team Leader, PCS will establish a procurement oversight team within PCS to focus on policies, practices, procedures and standards, and training. They will also procure the services of a third-party for market research and analysis.</p> <p>All actions to be completed by December 31, 2025.</p>