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Audit of Contracted Transportation Services



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At a Glance

- The Defence Team (DT) contracts transportation services for the Canadian Armed Forces (CAF) when CAF transport resources are insufficient or unavailable, ensuring that these services can be procured promptly and efficiently.
- Since 2006, Treasury Board (TB) has granted DT Exceptional Contracting Limits for Transportation Services (exception), allowing increased financial authorities to enter contractual arrangements with the North Atlantic Treaty Organization Support and Procurement Agency.
- DT committed to auditing both standard and exception transportation service contracts. The sampled contracting files were 83 percent compliant.
- There is an opportunity to improve contract file completeness to comply with legislative requirements and TB procurement policy by following standard operating procedures (SOP), implementing best practices for information management, and strengthening monitoring.
- Following the audit, in June 2025, TB permanently granted DT the exception.

 Findings	 Recommendations
Finding 1: DT has clear justification for contracting transportation services.	None.
Finding 2: Out of the 22 transportation contracts that were reviewed, 20 had missing or incomplete documentation.	Recommendation 1a: In consultation with the Directorate of Supply Chain Operations, create SOPs and a checklist for contracting officers within Director of Strategic Procurement Coordination and Operations Support (DSPCOS 7) to help ensure the completeness of files in alignment with current policies. Recommendation 1b: Improve oversight and monitoring of contract files to identify priority issues for resolution before contracts are closed. OPI: Assistant Deputy Minister (Materiel) (ADM(Mat))/DSPCOS 7
Finding 3: There is an opportunity to improve contract file quality and audit readiness.	Recommendation 2: Enhance the quality of contract files by adopting consistent practices for managing information, including standard file structures, storage and naming conventions. OPI: ADM(Mat)/DSPCOS 7

Table 1: Key Findings and Recommendations

Background

Since 2006, the exception has been granted to DT, which allows for higher contracting limits, specifically for transportation services in urgent or exceptional circumstances. This authority allows DT to procure transportation services quickly and efficiently when needed, without the usual constraints of standard contracting limits. In June 2022, TB approved the latest submission for the exception, granting the limit until June 30, 2027. Following the audit, in June 2025, TB permanently granted DT the exception authority.

DT uses contracted transportation services to move personnel and materiel in support of CAF operations and exercises when CAF transport capability cannot satisfy the transportation requirements. Contracted services include air, sea, ground vehicles and rail movements, depending on the need and location of delivery.

DSPCOS 7, in ADM(Mat), is responsible for transportation contracts that exceed the financial limits delegated to local authorities (e.g., base/wing commanders). Since April 2022, DSPCOS 7 has engaged in 203 transportation contracts (valued at approximately 280 million CAD), of which three used the exception. The DT transportation contracting limits are set by TB policy.¹

Contracting Limits ²	Competitive	Non-Competitive	North Atlantic Treaty Organization Support and Procurement Agency
Exception (since July 1, 2022)	\$20 million	\$5 million	\$10 million
Standard (since May 28, 2024)	\$7.5 million	\$375 thousand	\$500 thousand

Table 2: Financial authority limits delegated to DT.

Key Findings

Finding 1: The Defence Team has clear justification for contracting transportation services.

In accordance with the TB Directive on the Management of Procurement,³ DT procures transportation services to address internal resource limitations across air, sea, ground and rail transportation. Each category of transportation requires external contracting. For example, transportation services are contracted out as the CAF does not have sufficient airlift resources to support ally exercises nor their own ships that are able to move large cargo.

For the three exception contracts reviewed, DT had clear justification for contracting transportation services and used the exception as intended. Moving forward, to support long-term contracts that allow for multiple shipments during a CAF operation, the exception is

¹ Treasury Board of Canada (2025). Directive on the Management of Procurement, appendices A.1 and A.2: Basic Contracting Limits and Exceptional Limits for the Department of National Defence.

² Department of National Defence (2024). Delegation of Authorities for Financial Administration for the Department of National Defence and the Canadian Armed Forces.

³ Treasury Board of Canada (2025). Directive on the Management of Procurement.

essential. DSPCOS 7 is working on a business case to expand the use of exception contracts. This case will show how DT can save money through joint partnerships and how Canada can meet its commitments to its allies.

Finding 2: Out of the 22 transportation contracts that were reviewed, 20 had missing or incomplete documentation.

The audit team developed a process map ([Annex C](#)) and a document checklist ([Annex D](#)) based on legislative, TB and DT contracting policies to verify the completeness of transportation files. Transportation contracts, within standard or exceptional limits, generally follow the same process and require the same documents. A separate checklist was created for Strategic Air Lift International Solution (SALIS) contracts as there is a unique process.

There were three exception contracts within the audit scope: two SALIS contracts valued at approximately 4 million CAD each and one ground movement valued at just over 9.2 million CAD. The two SALIS contracts were each 100 percent compliant with the requirements of the checklist, while the ground movement contract was 80 percent compliant.

The 19 sampled standard limit contracts, valued at approximately 44 million CAD, were 80 percent compliant with the requirements of the checklist. Each of the 19 files had at least one missing document that was required by TB or DT Policy.

Overall, the 22 sampled transportation files were, on average, 83 percent complete when verified against the document checklist that reflects legislative, TB and DT requirements ([Annex D](#)). There was a decrease in compliance rates during fiscal year 2023/24, but compliance rates improved the following year under new DSPCOS 7 management and with increased monitoring. The following table highlights the documents that were most often missing.

Document	Requirements			Compliance Rate
	Legal	TB	DT	
Written Acknowledgement and Confirmation of Business Owner (effective September 2024)	<i>Conflict of Interest Act</i> ⁴	TB Directive on Management of Procurement F.2.7.2 ⁵	Procurement Administration Manual (PAM) 3.1.1.4 ⁶	43%

⁴ Department of Justice Canada (2025). *Conflict of Interest Act*.

⁵ Treasury Board of Canada (2025). Directive on the Management of Procurement, s.F.2.7.2: Mandatory Procedures for Business Owners.

⁶ Department of National Defence (2025). Procurement Administration Manual, s.3.1.1.4: Procurement Methods.

Attestation of Consideration of Accessible Procurement	Accessible Canada Act ⁷	TB Directive on Management of Procurement 4.2.7.1 ⁸	PAM 1.10.2.4 ⁹	25%
Complexity and Risk Assessment		TB Directive on Management of Procurement 4.10.1.5. ¹⁰	PAM 7.2.11 ¹¹	45%
Defence Resource Management Information System Consumption Report		TB Directive on Management of Procurement 4.10.1.5. ¹²	PAM 6.1 ¹²	31%

Table 3: The most commonly missing documents among sampled transportation contract files.

Regular monitoring is essential to ensure the completeness of the transportation contracting files. There is an opportunity for ADM(Mat)'s internal contract compliance teams to include transportation files in their reviews. Policies and guidance exist to help procurement officers ensure contract files are complete, but SOPs do not exist for DSPCOS 7. The section manager monitors contract files by checking 10 files or 10 percent of the annual volume of files, whichever is the lesser amount.

TB policy requires contracting files to have auditable evidence and ensure that delegated financial authorities were exercised during the procurement process. The delegation of authority (DOA) form was found in 8 of the 22 reviewed sample contracts. The remaining 14 files were missing DOA documents. Including DOA forms within contract files establishes financial authorities. It provides evidence of those authorities along with the required audit trail for contract reviews.

Recommendation 1a:

In consultation with the Directorate of Supply Chain Operations, create SOPs and a checklist for contracting officers within DSPCOS 7 to help ensure the completeness of files in alignment with current policies.

Recommendation 1b:

Improve oversight and monitoring of contract files to identify priority issues for resolution before contracts are closed.

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⁷ Department of Justice Canada (2019). *Accessible Canada Act*, c.10, s.5(d).

⁸ Treasury Board of Canada (2025). Directive on the Management of Procurement, s.4.2.7.1: Accessibility Considerations.

⁹ Department of National Defence (2025). Procurement Administration Manual, s.1.10.2.4: Directive Requirements.

¹⁰ Treasury Board of Canada (2025). Directive on the Management of Procurement, s.4.10.1.5.

¹¹ Department of National Defence (2025). Procurement Administration Manual, s.7.2.11: Complexity and Risk Assessment.

¹² Department of National Defence (2025). Procurement Administration Manual, s.6.1: Close Out the Requirement.

Management Response:

See [Annex A](#) for management's response to Recommendation 1.

Finding 3: There is an opportunity to improve contract file quality and audit readiness.

There were inconsistencies found with file completeness, naming conventions and overall information management practices. Establishing and following internal information management standards would improve file completeness and decrease the risk of missing key documents.

As the procurement authority, DSPCOS 7 is responsible for ensuring that all documents associated with procurement are in the file. To be complete and auditable, each file must contain the full set of required documents. Where possible, hyperlinking within electronic files is an efficient way to ensure continuity through multi-year contracts and to avoid duplication of electronic files.

Recommendation 2:

Enhance the quality of contract files by adopting consistent practices for managing information, including standard file structures, storage and naming conventions.

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Management Response:

See [Annex A](#) for management's response to Recommendation 2.

Conclusion

Transportation services are essential for the CAF to fulfill its mandate. Where large-scale movements are needed and economies of scale can be realized, it is important that the exception is available to support DT and is managed in compliance with applicable legislative requirements. A complete and auditable contract file would help ensure that legislative and policy requirements are met, demonstrating DT's commitment to open, fair, transparent and responsible use of public funds.

Annex A: Management Action Plan

Recommendation 1a:	Management Action Plan (MAP) 1.1	Timeline Target Date:
<p>In consultation with the Directorate of Supply Chain Operations, create SOPs and a checklist for contracting officers within DSPCOS 7 to help ensure the completeness of files in alignment with current policies.</p>	<p>Management Action Plan (MAP) 1.1 DSPCOS 7 will leverage existing policies, procedures and best practices to draft an SOP and a full procurement life cycle document checklist, from procurement planning to contract close out, to ensure completeness of files in alignment with current policies and legislation.</p>	<p>June 30, 2026</p>
<p>Recommendation 1b: Improve oversight and monitoring of contract files to identify priority issues for resolution before contracts are closed.</p>	<p>MAP 1.2 To address oversight and monitoring of contract files, DSPCOS 7, in consultation with Directorate of Supply Chain Operations and Directorate Materiel Policy and Procedures, will confirm which documents are required to complete the SOP and checklist. The SOP and checklist will be communicated to contracting officers.</p>	
<p>OPI: ADM(Mat)/DSPCOS 7</p>	<p>Closure Statement: This MAP will be considered closed once the SOP and checklist are completed and communicated to contracting officers.</p>	
<p>Recommendation 2: Enhance the quality of contract files by adopting consistent practices for managing information, including standard file structures, storage and naming conventions.</p>	<p>MAP 2.1: In concert with Directorate of Supply Chain Operations and Directorate Materiel Policy and Procedures, DSPCOS 7 will leverage existing policy, processes and best practices to enhance the quality of contract files by adopting consistent practices for managing information by standardizing:</p> <ul style="list-style-type: none"> a) file structures; b) storage; c) naming conventions as per existing PAM guidance for electronic contract/procurement file folder organization; d) employee onboarding and departure processes— inclusion in Performance Management Agreements; and e) communicating to all implicated staff. 	<p>Timeline Target Date: June 30, 2026</p>
<p>OPI: ADM(Mat)/DSPCOS 7</p>	<p>Closure Statement: This MAP will be considered closed when standardized information management practices have been communicated to implicated staff.</p>	

Table A.1. The list of recommendations, MAPs and timelines.

Annex B: About the Engagement

This engagement conforms with the Internal Auditing Standards for the Government of Canada, as supported by the results of the Quality Assurance and Improvement Program.

Objective

The objective was to assess if contracted transportation services were managed in compliance with applicable TB and DT policies and requirements.

Scope and Approach

The scope covered DT's contract files for contracted transportation services from fiscal year 2022/23 to 2024/25. During this period, DSPCOS 7 was responsible for 203 transportation contracts.

The methodology included document review, interviews, process mapping, a judgmental sample contract review, and analysis of contract files held in the Records, Document and Information Management System. The audit team reviewed all three exception contracts and 19 standard contracts for document compliance. The sample was pulled from the four commodities of air, sea, ground vehicles and rail.

Contracts were selected in consideration of high vs. low cost, domestic vs. international requirements, open and closed, and requesting organizations. The audit team developed a compliance checklist that considered TB and DT policies. The sampled contracts were then reviewed against the checklist for document compliance.

Annex C: High-Level Process Map

A high-level process map was developed in consultation with DSPCOS 7 and after a review of key TB and DT policies.

The following map outlines the contracting process using four key steps: the services requested, contract content, contract award and contract closure. These steps correspond with the audit team's compliance checklist, which outlines key documentation required for each step of the process.

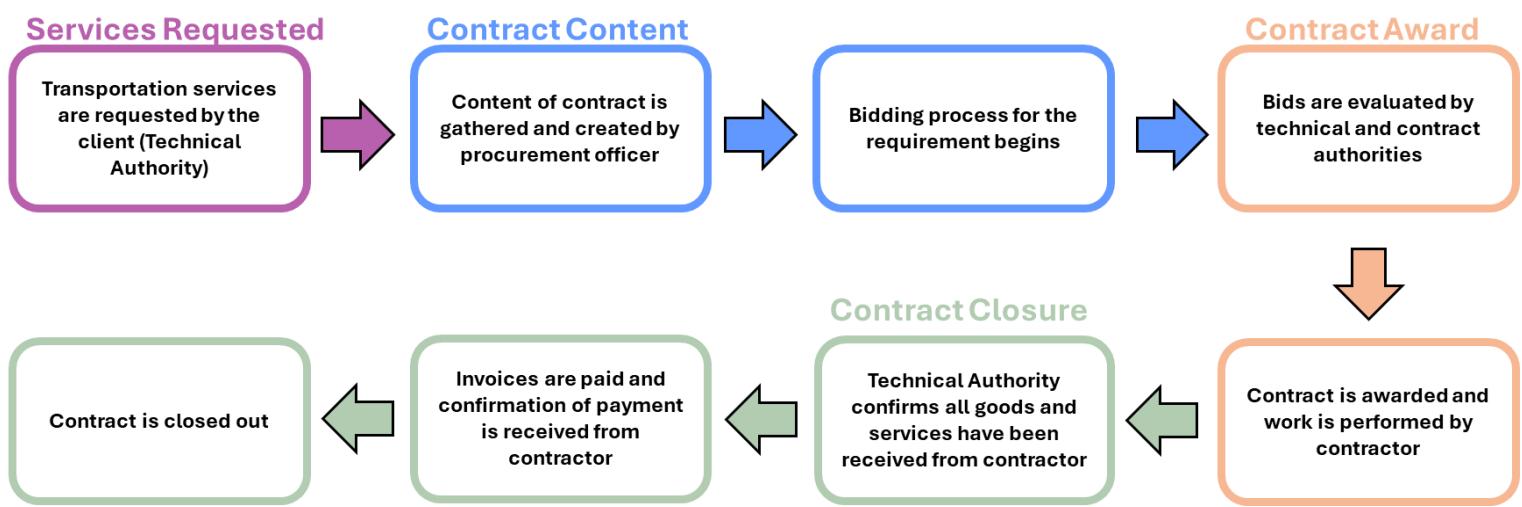


Figure C.1. Steps in the transportation contracting process.

Annex D: Compliance by Document

The following checklist was used to ensure transportation contracts followed the requirements set by legislation, TB and DT. It was used during the review of selected contracts to check if important documents were included. If a document was missing, it was noted. The overall compliance rates vary by document type.

Compliance by Document		
Phase	Documentation	Compliance Rate
Contract Content	Statement of Work/Statement of Requirement	100.00%
	Expenditure Initiation Request	95.00%
	Attestation of Consideration of Accessible Procurement	25.00%
	Invitation to Tender	94.74%
	Procurement Plan	95.00%
	Indigenous Procurement Checklist	75.00%
	Inuit Firm Registry – specific to Nunavut Settlement Agreement	100.00%
	Letter advising firms of upcoming Department of National Defence contracting opportunity (specific to Nunavut Settlement Agreement)	100.00%
	Security Requirements Checklist	85.00%
	Risk Mitigation Plan (if required)	100.00%
Contract Award	Complexity and Risk Assessment	45.00%
	Written Acknowledgement and Confirmation of Business Owner	42.86%
	Technical Bid Evaluation Package (x3)	78.95%
	Contract Authority Bid Evaluation Summary	73.68%
	Confidentiality and Conflict of Interest Declaration	77.78%
	Bank of Canada exchange rate (if required)	80.00%
	Price Certification Letter (if only one compliant bid)	100.00%
	Integrity Verification Service Check	89.47%
	Articles of Agreement	100.00%
	Flight Plan (specific to airlift)	100.00%
Contract Closure	Post-flight Report (specific to airlift)	100.00%
	Contract Data Management System Entry	95.00%
	Account Verification Checklist	94.44%
	Invoice(s) with goods/services received	94.44%
SALIS	Defence Resource Management Information System Consumption Report	31.25%
	SALIS Flight Request Form	100.00%
	Expenditure Initiation Request	100.00%
	Transmittal form	100.00%
	Briefing note/procurement plan	100.00%
	Contractual Arrangement	100.00%
	Contract Data Management System Entry	100.00%
	Paid invoice within 60 days of delivery date	100.00%

Table D.1. The compliance rate across all sampled transportation files for each document on the audit team's checklist.