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Audit of Contracting for Services  
 Management Response and Action Plan  
 October 2010

Recommendations	Management Response	Planned Actions	Deliverables	Expected Completion Date	Accountability
<p><b>Recommendation No. 1</b></p> <p>It is recommended that the Chief Financial Officer establish periodic, post-award verification procedures where samples of contracts lower than \$10,000 are reviewed to ensure compliance with policies and procedures.</p>	<p><b>Accept</b></p> <p>In 2008, the Chief Financial Officer established a risk-based Materiel and Assets Management (MAM) Verification Plan to guide annual contract review and post completion verification activities.</p> <p>The MAM Verification Plan will include low dollar value contracts (under \$10,000) by June 2010. These low dollar contracts will be part of the MAM Verification testing strategy beginning in the year 2010-2011.</p>	<p>Health Canada has implemented a risk-based process to guide contract review and post completion verification activities. This has been found to be efficient and effective in identifying issues, both for managers and Contract Specialists involved in process, policy and training.</p>	<p>The MAM Verification Plan will include procedures for the review of low dollar value contracts (under \$10,000).</p> <p>A MAM Verification Plan Review will be performed on an annual basis and will follow risk-based management principles relating to contracting.</p> <p>Branches will be debriefed on the results of the MAM verification. MAMD will share supporting best practices/continuous improvement opportunities with Branch ADMs.</p>	<p>June 2010 (completed)</p> <p>October 2010</p> <p>November 2010</p>	<p>Director, Policy, Training and Communication Division (PTCD)MAMD, CFOB</p> <p>PTCD-MAMD, CFOB</p> <p>MAMD, CFOB</p>

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<p><b>Recommendation No. 2</b></p> <p>It is recommended that the Chief Financial Officer ensure the development and implementation of service standards regarding the provision of procurement services.</p>	<p><b>Accept</b></p> <p>In June 2010, the Materiel and Assets Management Directorate (MAMD) re-engineered the procurement function in the National Capital region (NCR). The new process includes a new Request for Proposal (RFP)/ Request for Standing Offer (RFSO) process which will impact on the amount of time required to review contracting activities. MAMD will collect data during this fiscal year to determine and develop new service standards that will include the RFP/RFSO process. National implementation of the re-engineered procurement process will occur by December 2010.</p>	<p>Under the new procurement process, Materiel and Assets Management will collect data on the three different processes possible for service contracts: sole source; traditional competitive; and open bidding (posted on MERX). MAMD will analyze the data, develop and communicate service standards for the three processes noted above.</p>	<p>Benchmarking review, considering other Department's standards.</p> <p>Data Collection and Analysis of different contracting for services mechanisms: sole source; traditional competitive; and open bidding (posted on MERX).</p> <p>Develop service standards.</p> <p>A communications strategy to advise HC of the established Service Standards for the 3 methods of procurement.</p> <p>Begin tracking and reporting on standards.</p> <p>Preliminary report on adherence to established service standards.</p>	<p>February 2011</p> <p>April 2011</p> <p>May 2011</p> <p>July 2011</p> <p>December 2011</p> <p>June 2012</p>	<p>Director, Procurement and Contracting Division (PCD) MAMD, CFOB</p> <p>PCD-MAMD, CFOB</p> <p>PCD-MAMD, CFOB</p> <p>PTCD-MAMD, CFOB</p> <p>PCD-MAMD, CFOB</p> <p>PCD-MAMD, CFOB</p>

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<p><b>Recommendation No. 3</b></p> <p>It is recommended that:</p> <ul style="list-style-type: none"> <li>the Chief Financial Officer ensure that standing offers are in place and communicated regularly to facilitate access to services that are required to meet ongoing departmental requirements; and</li> <li>Assistant Deputy Ministers of Program Branches ensure that Cost Centre Managers participate in an annual procurement planning exercise aimed at facilitating the development of consolidated instruments such as standing offers and planning documents such as the Investment Plan.</li> </ul>	<p><b>Accept</b></p> <p>The results of previous rounds of procurement planning were used to develop strategies for several high-priority commodities such as language training schools, Employee Assistance Program specialists, and laboratory services providers.</p> <p>Procurement Planning data will be collected with the Investment Planning data for the 2010-11 Integrated Planning cycle and beyond.</p> <p>The CFO and ADMs of Branches will collaborate throughout the procurement planning process to ensure that opportunities for SOAs can be identified and developed for use whenever possible.</p>	<p>Based on information received from ADMs, the CFO will identify priority procurements and ensure that SOAs are in place, where possible.</p> <p>Cost centre managers will provide input to procurement planning exercise and then meet with Procurement Officers for appropriate assessments of Branch procurement priorities taking into account timeline, risk to department, cost, etc.</p>	<p>Procurement Planning included in DIOP process.</p> <p>A Communications Strategy with respect to the administration of standing offers will be developed and implemented.</p> <p>Compile info from Planning exercise and identify opportunities to develop additional SOAs.</p> <p>During the annual Integrated Planning exercise, ADMs will provide as accurately as possible, information regarding procurement planning as part of the Investment Plan process. The information provided will be used to facilitate the development of long term strategies including expedited procurement vehicles.</p>	<p>September 2010</p> <p>December 2010</p> <p>April 2011</p> <p>February 2011</p>	<p>PTCD-MAMD, CFOB</p> <p>PTCD-MAMD, CFOB</p> <p>PCD-MAMD, CFOB</p> <p>Branch ADMs and other Executives</p>



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			<p>A MAM Verification Plan Review will be performed.</p> <p>The results of the MAM verification will be shared with ADMs. MAMD will identify supporting best practices/ continuous improvement opportunities with Branch ADMs.</p> <p>Working with CFOB, ADMs will implement corrective actions as required.</p>	<p>October 2010</p> <p>November 2010</p> <p>March 2011</p>	<p>PTCD-MAMD, CFOB</p> <p>MAMD, CFOB</p> <p>Branch ADMs and other Executives</p>
<p><b>Recommendation No. 5</b></p> <p>It is recommended that the Chief Financial Officer and Assistant Deputy Ministers of Program Branches ensure proper price support documentation of non-competitive contract files in their respective areas of responsibility.</p>	<p><b>Accept</b></p> <p>The TB Contracting Policy and Contracting Policy Notice 2007-04 recommend price support be obtained when only one bid is received or only one person can do the work requested (ACAN).</p>	<p>Steps will be taken to improve the quality of information in the documentation of the contracting process, including documenting price support when appropriate. Changes made to contracting document types (statement of work, request for proposal, etc.) as part of the re-engineering will also support</p>	<p>CFOB will update appropriate solicitation document templates (RFP and ACAN) to include a section on price support.</p> <p>CFOB will develop and implement a communications strategy to remind/advise HC of policy requirements for price support. The</p>	<p>September 2010</p> <p>October 2010</p>	<p>PCD-MAMD, CFOB</p> <p>PTCD-MAMD, CFOB</p>

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	<p>The re-engineering of the procurement process, implemented in June 2010, ensures Procurement Specialists and CCMs collaborate before contracts are initiated to ensure that proper documentation regarding price support and sole source justification is included on file.</p> <p>The CFOB will enhance tools (solicitation documents, checklist for contract approval) to aid CCMs in ensuring appropriate documentation is on file. Procurement Specialists and CCMs will collaborate at the contract planning stage (prior to contract initiation) to ensure proper contracting procedures are followed and contracting policies adhered to.</p>	<p>improved documentation.</p>	<p>strategy will include communications to cost centre managers and functional experts (procurement). CFOB will ensure control measures, including a check to ensure that price support information is included in the CRCC checklist for contract approval and the RFP template. Procurement Officers will ensure documentation is present prior to approving contracts in CRCC.</p> <p>When appropriate, CCMs are responsible to obtain price support information prior to contract initiation and provide it to contract officers for approval of the contract in CRCC.</p>	<p>June 2010 (completed)</p> <p>June 2010 (completed)</p>	<p>PCD-MAMD, CFOB</p> <p>Branch ADMs and other Executives</p>

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<p><b>Recommendation No. 6</b></p> <p>It is recommended that the Chief Financial Officer and Assistant Deputy Ministers of Program Branches implement controls to ensure amounts invoiced by suppliers are consistent with terms specified in the Method of Payment.</p>	<p><b>Accept</b></p> <p>The Health Canada Account Verification procedures include an account verification checklist for CCMs and CCAs with the following item: “The price is in accordance with the contract, authorized contract amendment, or if not specified by a contract, is reasonable.”</p> <p>The Health Canada Delegation of Financial Signing Authorities Course includes the requirement to ensure invoiced amounts are in accordance with the payment terms specified in the related contracts when certifying section 34.</p> <p>In 2008, Health Canada implemented a risk-based quality assurance on account verification procedure for payments.</p>	<p>The quarterly reports from the Accounting Offices, with analyses of the quality assurance results, will be used by Accounting Offices to take any corrective actions required and by CFOB to monitor the effectiveness of the statistical sampling processes.</p> <p>Accounting Offices initiate corrective actions with Branch personnel when critical errors are identified on both high risk and sampled low risk transactions.</p> <p>CFOB produces and distributes departmental summary of statistical sampling error results for high and low risk transactions.</p> <p>Accounting Offices produce additional analysis reports to identify trends relative to payment streams and cost centres and initiate corrective</p>	<p>Quarterly reports from Accounting Offices, with analyses of the quality assurance results will be produced and circulated as required.</p> <p>Summary of statistical sampling error results for high and low risk transactions.</p>	<p>September 2010</p> <p>April 2010 (completed)</p>	<p>FOD-CFOB</p> <p>RAPB (Regional Senior Finance Officers), CFOB (Financial Operations/AOSD)</p>

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	<p>More recently, the CFOB has implemented statistical sampling for some payments, which provides assurance that payments are in accordance with the payment terms specified in the related contracts. Full quality assurance is performed on high risk payments and sampled low risk payments based on payment dollar value.</p> <p>The SAP functionality and quality assurance procedures for statistical sampling were implemented in all regions as of April 1, 2010.</p> <p>Each Accounting Office (NCR and regions) records critical and non-critical errors in SAP using standardized codes (including tracking payments made that were not in accordance with the method of payment</p>	<p>actions with Branch personnel.</p>			

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	<p>specified in the related contracts).</p> <p>On a quarterly basis, each Accounting Office will conduct an analysis of the quality assurance results and provide a report to CFOB.</p> <p>These analysis reports will be used:</p> <ol style="list-style-type: none"> <li>1. by Accounting Offices to identify error trends in account verification and determine any corrective actions required with Branch personnel;</li> <li>2. by CFOB to monitor the effectiveness of the statistical sampling processes and consider recommendations for change; and</li> <li>3. by CFOB to support Branch and Departmental certifications on controls.</li> </ol>				