



Agence spatiale
canadienne Canadian Space
Agency



AUDIT OF THE CONTRACT AWARD PROCESS
AND OF CONTRACT MANAGEMENT BY THE SECTORS

AUDIT REPORT

PROJECT # 15/16 01-02

PREPARED BY THE
AUDIT AND EVALUATION DIRECTORATE

JUNE 2016

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1.0 SUMMARY

1.1 AUDIT OBJECTIVE

The objective of the audit project was to determine whether:

- contractual agreements were established in compliance with Treasury Board (TB) and Canadian Space Agency (CSA) policies, acts and regulations;
- associated payments were authorized in accordance with delegated authorities and the *Financial Administration Act* (FAA); and
- reporting was done in accordance with the requirements.

1.2 AUDIT OPINION

Generally, the contractual agreements were established in compliance with TB and CSA policies, acts and regulations, and associated payments were authorized in accordance with delegated authorities and the FAA. However, shortcomings that constitute low risks were identified with respect to the contract award and administration process as well as with proactive disclosure.

1.3 ASSURANCE STATEMENT

It is my opinion, as Chief Audit Executive, that sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the opinion provided in this report. This opinion is based on a comparison of the conditions, as they existed at the time of the audit, against pre-established criteria that were agreed on with management. The opinion is only applicable to the entity examined. The evidence was gathered in compliance with the TB *Policy on Internal Audit*, guidelines and standards. The procedures followed comply with the professional standards of the Institute of Internal Auditors. The evidence gathered is sufficient to convince senior management of the validity of the opinion derived from the internal audit.

1.4 SUMMARY OF FINDINGS

Overall, the contractual agreements were established in compliance with TB and CSA policies, acts and regulations. In particular, the planning of needs was carried out adequately; the terms and conditions of bid solicitations were drafted in a way to obtain the best value for the government; and evaluations of bids, supplier selection strategies and the awarding of contracts were carried out in accordance with the *Contracting Policy*.

In addition, contract administration generally complies with the TB *Contracting Policy* and the FAA. The procedures in place help achieve expected outcomes and comply with the terms and conditions of contracts. Contract amendments are justified and made in accordance with the policy. There is also compliance with delegated financial authority and delegated contracting authority.

However, we identified some shortcomings that require special attention, particularly the following:

- Requisition forms and the Security Requirements Check List (SRCL) are not completed properly;
- Some practices relative to the receiving, custody and opening of electronic bids do not ensure that bids are not opened prior to process closing dates;

- The certification of the receipt of goods and services (s. 34 of the FAA) and the compliance with payment terms and conditions were not applied adequately for two contracts out of a sample of 26;
- Some contracts and contract amendments over \$10,000 were not subject to proactive disclosure on the CSA Web Site, as required under Treasury Board of Canada Secretariat (TBS) guidelines. A total of 95 omissions were found.

Based on the audit findings, we made the following five recommendations:

1. Review and, if necessary, update directives and internal procedures relative to the following:
 - requisition forms and SRCL forms;
 - receipt and opening of bids;
 - role of Contract Officers with respect to price justifications;
 - contract termination.
2. Identify risks associated with repeated and consecutive contract renewals of the same resource for temporary help under standing offers, and update associated directives and internal procedures.
3. Pay a special attention to signatures of contracts and amendments during the quality assurance process.
4. Apply existing controls regarding the accounts' verification.
5. Review the process as well as tools used for proactive disclosure.

Management has drawn up a management action plan in response to these recommendations.

Original signed by Dominique Breden

Signature of the Chief Audit Executive

Audit Team members

Dany Fortin
Louis Martel
Johanna Gailer
Fatima Raveen

2.0 AUDIT REPORT

2.1 BACKGROUND

The Government of Canada adopted the *Government Contract Regulations* (GCR) and the *Contracting Policy* to serve as a framework for the contracting activities of various federal departments and agencies that have to contract out a portion of their activities in order to implement various programs for which they are responsible. The objective of this *Contracting Policy* is to facilitate the acquisition of goods and services and the execution of construction projects in a manner that increases access, competition and fairness, and results in best value or, if applicable, an optimal balance of overall benefits to the Crown and the Canadian people.

The GCR stipulates, among other things, that all contracts must be awarded following a competitive bid process, except in very specific circumstances. There are four such circumstances, which may be summarized as follows:

- 1) The need is one of pressing emergency in which delay would be injurious to the public interest;
- 2) The estimated expenditure is low, and it would not be economical to solicit competitive bids;
- 3) The nature of the work is such that it would not be in the public interest to solicit bids; and
- 4) Only one person or company is capable of executing the contract.

If a contracting authority cites another reason in order to recommend that a contract be awarded without competition, such a contract may be awarded only through an order in council.

CSA CONTRACTS IN 2014–2015	NUMBER	MONETARY VALUE
Contracts issued by the CSA	692	\$20.5M
Contracts issued by Public Services and Procurement Canada (PSPC) on behalf of the CSA	68	\$60.1M
Total number of contracts issued in 2014–2015	760	\$80.6M
Total CSA budget for 2014–2015 ¹		\$462.4M

Provision was made for this audit project in the 2015-2016 Risk-Based Audit Plan approved by the CSA Audit Committee (AC).

During the 2010-2011 fiscal year, a contract and procurement management audit was conducted and recommendations were drawn up. In response to the recommendations set out in this audit report, management drew up an action plan, which was implemented. Given the materiality and sensitive nature of the contract award and management processes, this audit was conducted again in order to provide assurance with respect to the effectiveness of the existing procedures and controls.

¹ Source: 2014-2015 Report on Plans and Priorities

2.2 AUDIT OBJECTIVE, SCOPE AND METHOD

OBJECTIVE

The objective of the audit project was to determine whether:

- contractual agreements were established in compliance with Treasury Board (TB) and Canadian Space Agency (CSA) policies, acts and regulations;
- associated payments were authorized in compliance with delegated authorities and the *Financial Administration Act* (FAA); and
- reporting was done in compliance with the requirements.

SCOPE

The internal audit project focused on contracts awarded by the CSA between April 1st, 2014 and March 31st, 2015. With respect to payments, the audited period extended up to November 12, 2015 for contracts awarded by the CSA and contracts awarded by PSPC. The Departmental Service Agreement with PSPC was reviewed, starting from the time it came into effect in August 2013.

An initial sample of 25 contracts issued in 2014-2015 was selected and reviewed. The following is a breakdown of the sample:

- 20 CSA contracts:
 - 5 contracts with the highest monetary value;
 - 5 contracts with the highest monetary value for each contract type;²
 - 4 contracts selected at random among the contracts with highest monetary value;²
 - 5 contracts with the highest monetary value in the information technology and construction domains;²
 - 1 CSA standing offer.²
- 5 PSPC contracts:
 - 2 research and development contracts;
 - 1 construction contract;
 - 2 services contracts.

In response to some shortcomings that were observed, 2 additional contracts awarded by the CSA were added to the sample.

- 1 non-competitive contract (sole source)
- 1 competitive contract for computer services

METHOD

The audit criteria were determined based on the requirements set out in the acts, regulations and policies. The criteria and sub-criteria are listed in Appendix A. The audit included various processes, including interviews and a review of documents.

It should be noted that the objective and the audit criteria were discussed with the audit entity.

² Contracts different from those previously selected

2.3 FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSE

Criteria 1 and 2

To determine whether awarded contracts were established in compliance with TB and CSA policies, acts and regulations and whether associated payments were authorized in compliance with delegated authorities and the FAA, we expected to find the following:

- Activities pertaining to contract planning, expenditure initiation, bid solicitations, contract awards and contract administration in compliance with applicable acts, regulations and policies;
- Delegated authority to initiate expenditures and commit funds (section 32 of the FAA) obtained prior to the establishment of contracts;
- Contracting authority exercised in compliance with section 41 of the FAA;
- Authority to confirm performance of work and price, eligibility and entitlement to payment (section 34 of the FAA) obtained prior to the issuing of payments;
- Authority to approve payments exercised in compliance with section 33 of the FAA.

In addition, we expected to find well-documented files providing a complete audit trail.

Criterion 3

To determine whether a work framework is in place for the awarding of contracts by PSPC on behalf of the CSA, we expected to find the following:

- A signed agreement as well as well-defined objectives, duties and responsibilities;
- Reporting of activities in accordance with the requirements set out in agreements.

Criterion 4

To determine whether the reporting of procurement activities complies with policies and directives in effect, we expected to find the following:

- Reporting obligations are known and established;
- Reports comply with TB requirements and are produced in a timely manner;
- There is proactive disclosure in compliance with TBS guidelines.

2.3.1 Compliance with policies, acts and regulations pertaining to the awarding of contracts

AUDIT OBJECTIVE	The objective of the audit project was to determine whether: <ul style="list-style-type: none"> • contractual agreements were established in compliance with Treasury Board (TB) and Canadian Space Agency (CSA) policies, acts and regulations; • associated payments were authorized in compliance with delegated authorities and the <i>Financial Administration Act</i> (FAA); and • reporting was done in compliance with the requirements. 	
FINDINGS	Criterion 1	Contracts are awarded in compliance with TB and CSA policies, acts and regulations.
	Condition	Conclusion about the criterion In general, our audit found that contracts were awarded in compliance with TB and CSA policies, acts and regulations.



<p>AUDIT OBJECTIVE</p>	<p>The objective of the audit project was to determine whether:</p> <ul style="list-style-type: none"> contractual agreements were established in compliance with Treasury Board (TB) and Canadian Space Agency (CSA) policies, acts and regulations; associated payments were authorized in compliance with delegated authorities and the <i>Financial Administration Act</i> (FAA); and reporting was done in compliance with the requirements.
	<p>However, some shortcomings were identified.</p> <p><i>Compliance with policies, acts and regulations</i></p> <p>In the review of non-competitive contracts, we found that the terms and conditions of bid solicitations were not unduly restrictive, that the sourcing strategies for competitive and non-competitive contracts complied with the policy, that the selection methods and bid evaluation criteria were well-defined in the bid solicitation documents, that the evaluation of bids and selection of contractors complied with bid solicitation terms and conditions, and that evidence of price support was obtained.</p> <p>We also found that expenditures were initiated and certified (s. 32 of the FAA) by an authorized person, that, where applicable, intellectual property rights were addressed in compliance with the policy, and that PSPC mandatory standing offers were taken into consideration.</p> <p>With respect to the contract award phase, it was found that the appropriate type of contract was used, that legal advisers were consulted when non-standard conditions were used, that, where applicable, employment equity conditions were implemented, and that the contracts were approved and signed by an authorized person with appropriate delegated authority.</p> <p>However, the following shortcomings were identified:</p> <p><i>Requisition form</i></p> <p>This form, completed by clients, is used to transmit requirements, estimated amounts, financial coding, security requirements and any subsequent changes to the contracting officer and the finance clerk.</p> <p>In 8 out of 22 cases, the “Amendments” section of the requisition form was not properly filled out or was not filled out. This section is used to identify and monitor changes made to the requisition.</p> <p><i>Security requirements</i></p> <p>The SRCL form is used to identify necessary security requirements during execution of the contract. The form requires the signatures of the project officer, the organization’s security officer, the contracting officer and, if</p>



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		<p>necessary, the authorized PSPC officer. According to the CSA’s internal procedure, an SRCL form must be filled out for each contract other than contracts for goods purchases.</p> <p>We found a few irregularities in how the SRCL form was used. In 2 out of 22 cases, the SRCL form was not in the file, while in 6 out of 13 cases where security requirements were specified, the contracting officer had not signed the form, and in 2 out of 22 cases, the same person had signed in both the section reserved for the project officer and for the organization’s security officer. In 1 out of 22 cases, the project officer’s signature was missing.</p> <p>In one case, work was carried out by a contractor prior to approval of the amendment to the contract, i.e. a different employee was doing the work instead of the one stipulated in the original contract. When the new employee started working, he/she had not yet obtained his/her reliability status. Unauthorized access to some types of information could cause harm to the CSA and/or third parties.</p> <p>Temporary help</p> <p>Primarily to avoid establishing an employer-employee relationship, standing offers for casual work provide for a maximum number of consecutive weeks of work (48) for the same resource. PSPC approval is required to exceed the maximum number of weeks.</p> <p>We found in one case that the permitted number of weeks had been exceeded (51 weeks) without PSPC approval being requested, as required.</p> <p>We also found in two cases that two temporary resources have been working consecutive terms at the CSA, i.e. since 2013 and 2014, respectively. Their terms are renewed successively under various standing offers.</p> <p>We met with the CSA Human Resources personnel to discuss the potential risks of these situations, which are not specifically known at this time. We therefore recommend that the risks stemming from these situations be identified and that clear instructions to that regard be established.</p> <p>Receipt and opening of bids</p> <p>The <i>Contracting Policy</i> states that adequate management controls must be planned and implemented to protect the</p>



<p>AUDIT OBJECTIVE</p>	<p>The objective of the audit project was to determine whether:</p> <ul style="list-style-type: none"> contractual agreements were established in compliance with Treasury Board (TB) and Canadian Space Agency (CSA) policies, acts and regulations; associated payments were authorized in compliance with delegated authorities and the <i>Financial Administration Act</i> (FAA); and reporting was done in compliance with the requirements. 	
		<p>integrity of the bidding process. These procedures pertain to the receipt, custody, opening and recording of bids.</p> <p>Our audit revealed the following shortcomings.</p> <p>For bids submitted electronically, the Procurement and Contract Administration Division uses a standard email address reserved solely for that purpose. Only the manager and two division clerks have access to this email box. In 4 out of 7 cases, the contracting officer either received the contractor’s bid directly in his/her email box, or under carbon copy. In another case, the email containing the supplier’s bid was read by a clerk of the division before the bid closing time and date. This practice could cast doubt on the integrity of the process, given that bids must remain sealed until the process closing time and date.</p> <p>When bids are opened, a record sheet is used to compile the information from the bids received, such as the bidder’s name and amount of the bid. This document is signed by two procurement clerks. In 8 out of 15 cases, the bid record sheets were incomplete.</p> <p>When bids are received in hard copy, the CSA User Guide stipulates that the warehouse clerk must stamp the date and time of receipt of bids on the envelopes as proof of receipt. Instead, a multi-copy checklist form is used to time and date stamp receipt of the bids. A copy of this checklist must then be appended to the bid. In 8 out of 8 cases where a bid was received in hard copy, there was no trace of this proof of bid receipt in the file.</p> <p>It is stipulated in CSA procedures that bid documents must be date and time stamped when they are opened. We found in 4 out of 15 cases that some of the bid documents had not been date and time stamped.</p> <p>The Procurement and Contract Administration Division clerks are informed of the bid solicitation closing date and time in an email from the contracting officer. In 1 out of 15 cases, some bids received before the initial bid solicitation closing date and time had been opened, whereas the initial bid solicitation closing date and time had been extended. The clerks were only informed later of the new closing date and time by the contracting officer.</p>



<p>AUDIT OBJECTIVE</p>	<p>The objective of the audit project was to determine whether:</p> <ul style="list-style-type: none"> contractual agreements were established in compliance with Treasury Board (TB) and Canadian Space Agency (CSA) policies, acts and regulations; associated payments were authorized in compliance with delegated authorities and the <i>Financial Administration Act</i> (FAA); and reporting was done in compliance with the requirements. 	
		<p><i>Evaluation of bids and contractor selection</i></p> <p>The CSA’s internal procedure states that each member of the Evaluation Committee must make a separate evaluation of each bid. It also states that the contracting officer is responsible for reviewing all of the scores and pointing out to Committee members any irregularities or breaches that might have occurred in the bid evaluations. An evaluation report must be completed and the latter must include a summary of the process and the scores given to each bidder. This report must be endorsed by each Evaluation Committee member.</p> <p>During our audit, we found 1 case out of 19 where the bid evaluation report had not be signed by the evaluators, and 4 out of 19 cases where there was no evidence in the file that the contracting officer had reviewed the evaluators’ evaluations.</p> <p>In another case involving a bid solicitation, the sole bid submitted showed substantial price differences between the proposed hourly rates for similar services. Specifically, the hourly rates proposed for some services to be provided in the second and third years of the agreement were abnormally high, compared with the rates proposed for services in the first year. In such a situation, we expected to find a more documented file with respect to questions asked and analyses carried out to determine that the proposed price is acceptable. Although it is not stated in the <i>Contracting Policy</i> that it is mandatory to obtain a price justification in the case of competitive contracts, it does state that the contracting officer may require a price justification if he/she believes there is a risk for the Government of Canada in terms of the value of services received. We are of the opinion that the requirement that a price justification be provided would have been indicated in the circumstances. It should be noted that the agreement with the supplier was amended following the audit and that the stated hourly rates were adjusted to correspond to the supplier’s price list.</p> <p><i>Contract signing and amendments</i></p> <p>In 1 out of 16 cases, the contractor had not signed the Call-up Against a Standing Offer form.</p> <p>In 2 out of 14 cases, the contractor had not signed the</p>

<p>AUDIT OBJECTIVE</p>	<p>The objective of the audit project was to determine whether:</p> <ul style="list-style-type: none"> contractual agreements were established in compliance with Treasury Board (TB) and Canadian Space Agency (CSA) policies, acts and regulations; associated payments were authorized in compliance with delegated authorities and the <i>Financial Administration Act</i> (FAA); and reporting was done in compliance with the requirements. 	
		<p>contract amendment document.</p> <p>Contract termination</p> <p>As part of our sample, we looked at a contract that had been terminated. The termination document had been signed by a contracting officer who did not have the appropriate delegated financial authority. The contract had a total value of \$282,838 at the time of termination, whereas the contracting officer who signed the termination document only had delegated financial authority for competitive construction contracts with a value of \$100,000 or less.</p>
	<p>Causes</p>	<p>Requisition form</p> <ul style="list-style-type: none"> When an employee prepares an amendment to a requisition, the information relative to the said amendment must be entered in specific fields designated for that purpose so that it can be reported by the system in appropriate sections on the requisition. This is a matter of human error because the required information had not been entered in the appropriate sections on the requisition. <p>Temporary help</p> <ul style="list-style-type: none"> The CSA’s Human Resources Division has not been monitoring the use of temporary help at the CSA for about two years. <p>Receipt and opening of bids</p> <ul style="list-style-type: none"> Although the procedure is explained very well to contractors in bid solicitations, it is difficult to prevent them from sending bids directly to the contracting officers. Some internal procedures for the receipt and opening of hard-copy bids were not followed. <p>Evaluation of bids and contractor selection</p> <ul style="list-style-type: none"> The internal procedure does not specify that the contracting officer may ask for a price justification in the case of a competitive contract.
	<p>Impact</p>	<p>Requisition form and SRCL</p> <ul style="list-style-type: none"> It is difficult to track amendments that have been made.

<p>AUDIT OBJECTIVE</p>	<p>The objective of the audit project was to determine whether:</p> <ul style="list-style-type: none"> contractual agreements were established in compliance with Treasury Board (TB) and Canadian Space Agency (CSA) policies, acts and regulations; associated payments were authorized in compliance with delegated authorities and the <i>Financial Administration Act</i> (FAA); and reporting was done in compliance with the requirements. 	
		<ul style="list-style-type: none"> Security requirements may not be properly determined. <p><i>Temporary help</i></p> <ul style="list-style-type: none"> Repeated use of the same resources for temporary help may result in the establishment of an employer-employee relationship. <p><i>Receipt and opening of bids</i></p> <ul style="list-style-type: none"> Risk to the integrity of the process. Privileged information may be disclosed before the opening of submitted bids. In addition, if the initial receipt date and time are not recorded, the CSA’s ability to respond to disputes regarding the eligibility of bidders could be reduced. <p><i>Evaluation of bids and contractor selection</i></p> <ul style="list-style-type: none"> In the case where the contractor proposed a higher-than-normal hourly rate for services, the absence of a price justification may raise questions as to the value of services paid for by the government. <p><i>Contract signing and amendments</i></p> <ul style="list-style-type: none"> A contract may be challenged in cases of dispute.
<p>RECOMMENDATIONS</p>	<ol style="list-style-type: none"> Review and, if necessary, update directives and internal procedures relative to the following: <ul style="list-style-type: none"> requisition forms and SRCL forms; receipt and opening of bids; contracting officer’s role relative to price justifications; contract termination. Identify risks associated with repeated and consecutive contract renewals of the same resource for temporary help under standing offers, and update associated directives and internal procedures. Pay a special attention to signatures of contracts and amendments during the quality assurance process. 	
<p>IDENTIFIED RESPONSIBILITY</p>	<p>Organization</p>	<p>Finance Directorate Corporate Services and Human Resources Directorate</p>
	<p>Function</p>	<p>Manager, Procurement and Contract Administration Manager, Accounting and Financial Policy and Systems Manager, Human Resources Operations</p>



<p>AUDIT OBJECTIVE</p>	<p>The objective of the audit project was to determine whether:</p> <ul style="list-style-type: none"> contractual agreements were established in compliance with Treasury Board (TB) and Canadian Space Agency (CSA) policies, acts and regulations; associated payments were authorized in compliance with delegated authorities and the <i>Financial Administration Act</i> (FAA); and reporting was done in compliance with the requirements. 	
<p>MANAGEMENT RESPONSE</p>	<p>We agree with the recommendations.</p>	
<p>MANAGEMENT ACTION PLAN</p>	<p>Action Plan details</p>	<p>Deadline</p>
	<p><i>Recommendation 1 – Awarding of Contracts</i></p> <p>A detailed work plan has been elaborated to respond to each stated requirement, and the following corrective and improvement measures will be implemented:</p> <ol style="list-style-type: none"> Updating of internal procedures to be followed by contracting officers; Increased support for contracting officers; Updating of the Requisition Guide; Updating of the Procurement Guide; Dissemination to clients of requirements relative to requisitions and procurement; Setting up of a Contract Review Committee. 	<p>March 2017</p>
	<p><i>Recommendation 2 – Temporary Help</i></p> <p>The risks associated with repeated and consecutive contract renewals of the same resource for temporary help were identified. To limit these risks, an internal procedure involving collaboration of the Procurement Division and the Human Resources Directorate was introduced on May 24, 2016.</p>	<p>Completed</p>
	<p><i>Recommendation 3 – Quality Assurance</i></p> <p>A procedure for reviewing the quality of files based on a sample of files will be implemented.</p>	<p>March 2017</p>

2.3.2 Compliance with policies, acts and regulations pertaining to contract administration

<p>AUDIT OBJECTIVE</p>	<p>The objective of the audit project was to determine whether:</p> <ul style="list-style-type: none"> contractual agreements were drawn up in compliance with Treasury Board (TB) and Canadian Space Agency (CSA) policies and government acts and regulations; associated payments were authorized in compliance with delegated authority and the <i>Financial Administration Act</i> (FAA); and reporting was done in compliance with requirements. 	
<p>FINDINGS</p>	<p>Criterion 2</p>	<p>Contract management procedures are in place to ensure that expected results are obtained.</p>
	<p>Condition</p>	<p>Conclusion about the criterion</p> <p>In general, our audit found that the contract management procedures in place were properly implemented, making it possible to obtain expected results, while complying with the terms and conditions of contracts and with acts, regulations and policies in effect. However, some shortcomings were identified.</p> <p><i>Compliance with policies, acts and regulations</i></p> <p>We found that</p> <ul style="list-style-type: none"> contract amendments were approved by an authorized person in all of the cases reviewed (14) and that justifications were provided for the amendments in all cases; in all of the cases reviewed (26), goods and services were obtained within the time frames specified in the contracts; the receipt of goods and services was properly certified (s. 34 of the FAA) in 24 of the 26 cases reviewed; all supporting documentation was provided for billing in 25 of the 26 cases reviewed; claims requiring PSPC approval were given PSPC approval in all of the cases reviewed (3); in all of the cases reviewed (7), justifications were provided for discrepancies between claimed amounts and the terms of the contracts; in all of the cases reviewed (26), payments had been authorized (s. 33 of the FAA) by persons with appropriate delegated financial authority; evaluations of the performance of suppliers of services were completed in 3 cases out of 5 where an evaluation was required as per the CSA internal guidelines. <p>However, the following shortcomings were identified:</p>



<p>AUDIT OBJECTIVE</p>	<p>The objective of the audit project was to determine whether:</p> <ul style="list-style-type: none"> contractual agreements were drawn up in compliance with Treasury Board (TB) and Canadian Space Agency (CSA) policies and government acts and regulations; associated payments were authorized in compliance with delegated authority and the <i>Financial Administration Act</i> (FAA); and reporting was done in compliance with requirements. 	
		<p><i>Work undertaken prior to approval of a contract amendment</i></p> <p>The TB <i>Contracting Policy</i> stipulates that a contract, or contract amendment, must be approved by a contracting officer before work can begin. Among the 14 contract amendments reviewed, we found that work had been started prior to approval by the contracting officer on two occasions. The first case concerned work additional to the original contract, while the second case concerned work carried out by a resource who had not yet obtained his/her reliability status when the work was carried out.</p> <p>In situations where work begins prior to the signing of a contract by the contracting officer, the <i>Contracting Policy</i> stipulates that an “order confirmation” process must be completed. This process was implemented in only 1 of the 2 cases mentioned above.</p> <p><i>Certification of receipt of goods and services (s. 34 of the FAA)</i></p> <p>In 2 out of 26 cases, we noted irregularities when reviewing suppliers’ invoices and certification of the receipt of goods or services (s. 34 of the FAA). In one of the cases, the basis of payment and the payment terms and conditions provided for a single payment, whereas progressive payments were made.</p> <p>The second case concerns the same contract mentioned under Criterion 1 – <i>Evaluation of bids and contractor selection</i>, where it is stipulated that the hourly rate for services in the second year was higher than normal. In the end, work in the second year was carried out at a rate lower than the rate stipulated in the contract, and the contract was not amended to reflect the changes. Although the amount billed and paid corresponds to the value of the services received and the CSA was not disadvantaged by the situation, the billing method and subsequent approval do not comply with the FAA.</p> <p><i>Supporting documentation provided with payment requests</i></p> <p>In 1 out of 26 cases, a form required by PSPC and identified in the contract was not used by the supplier when it submitted its invoice. The form must be signed by the supplier to certify that the listed items are in compliance.</p>
	<p>Causes</p>	<p>The observed shortcomings in terms of compliance with policies, acts and regulations relative to contract administration may be</p>



AUDIT OBJECTIVE	<p>The objective of the audit project was to determine whether:</p> <ul style="list-style-type: none"> contractual agreements were drawn up in compliance with Treasury Board (TB) and Canadian Space Agency (CSA) policies and government acts and regulations; associated payments were authorized in compliance with delegated authority and the <i>Financial Administration Act</i> (FAA); and reporting was done in compliance with requirements. 	
		<p>explained by a lack of awareness of key stakeholders on the importance of the aspects raised.</p>
	Impact	<p><i>Work undertaken prior to approval of a contract amendment</i></p> <p>The impact is significant because legal or security issues may arise.</p> <p><i>Certification of the receipt of goods and services (s. 34 of the FAA)</i></p> <p>The CSA may not receive the goods and services for which it is billed. In addition, this situation may have an impact on the organization’s credibility with the central agencies.</p>
RECOMMENDATIONS	<p>4. Apply existing controls regarding the accounts’ verification.</p>	
IDENTIFIED RESPONSIBILITY	Organization	Finance Directorate
	Function	Manager, Accounting and Financial Policy and Systems
MANAGEMENT RESPONSE	<p>We agree with the recommendation.</p>	
MANAGEMENT ACTION PLAN	Management Action Plan details	
	<p><i>Recommendation 4 – Implementation of Controls</i></p> <p>We will remind finance clerks in a meeting, and record the reminder in an email in order to document controls in need of improvement.</p>	<p>Deadline</p> <p>June 23, 2016</p>

2.3.3 Service agreement between the CSA and PSPC

<p>AUDIT OBJECTIVE</p>	<p>The objective of the audit project was to determine whether:</p> <ul style="list-style-type: none"> contractual agreements were drawn up in compliance with Treasury Board (TB) and Canadian Space Agency (CSA) policies and government acts and regulations; associated payments were authorized in compliance with delegated authority and the <i>Financial Administration Act</i> (FAA); and reporting was done in compliance with requirements. 	
<p>FINDINGS</p>	<p>Criterion 3</p>	<p>A work framework has been set up for the awarding of contracts by PSPC on behalf of the CSA.</p>
	<p>Condition</p>	<p>Conclusion about the criterion</p> <p>We are able to conclude from our audit that there is a Departmental Service Agreement (DSA) between the CSA and PSPC and that the objectives, duties and responsibilities are well defined in the DSA. In addition, a performance evaluation of PSPC services is carried out and disseminated on a regular basis.</p> <p>Service agreement</p> <p>The CSA and PSPC signed a five-year DSA on August 23, 2013. There is a provision for this agreement to be extended or amended. The objective of the DSA is to set up an effective and efficient partnership between the CSA and PSPC so that the Government of Canada obtains optimum results in the delivery of services intended for Canadians.</p> <p>The DSA sets out 11 priorities for a range of services provided by PSPC. Procurement services account for the bulk of services provided by PSPC. Contracts awarded through PSPC services account for about 75% of the total value of contracts awarded at the CSA, which includes 100% of research and development contracts.</p> <p>Secondary agreements, negotiated at the branch level, are also concluded for specific requirements. These secondary agreements establish both the partnership framework and the operational framework for the services provided. To date, three secondary agreements have been signed.</p> <p>As a general rule, the CSA’s responsibility towards PSPC, as set out in the agreements, is to submit accurate information on its service requirements, plans and budgets in a timely manner. For its part, PSPC is responsible for providing cost-effective service solutions that meet the client’s requirements, while providing sound stewardship of these service solutions.</p> <p>Performance management</p> <p>CSA and PSPC representatives have meetings at least once a year to discuss the overall relationship, as well as performance with respect</p>



AUDIT OBJECTIVE	<p>The objective of the audit project was to determine whether:</p> <ul style="list-style-type: none"> contractual agreements were drawn up in compliance with Treasury Board (TB) and Canadian Space Agency (CSA) policies and government acts and regulations; associated payments were authorized in compliance with delegated authority and the <i>Financial Administration Act</i> (FAA); and reporting was done in compliance with requirements. 	
	<p>to the delivery of services and progress made in projects, improvements to be made, and future opportunities. In addition, all CSA managers responsible for secondary agreements are consulted, and a satisfaction barometer is completed every quarter. The satisfaction barometer and issues arising from it are then submitted to PSPC. Every year, PSPC also sends to the CSA a report providing an overall assessment of the business relationship and the degree to which priorities have been achieved. PSPC proposes basic service standards for the implementation of projects. However, the implementation of these standards at the CSA varies, depending on the complexity of and authorizations required for various projects. For each more complex or larger-scale project, PSPC proposes a specific schedule for the delivery of services. For smaller-scale projects, e.g. for goods or construction projects, a standard based on degree of complexity is applied. Subsequently, a performance evaluation of the services provided by PSPC is carried out based on the action plan drawn up or standards. We found overall that CSA managers are satisfied with the services obtained.</p>	
	Causes	N/A
	Impact	N/A
RECOMMENDATIONS	N/A	
IDENTIFIED RESPONSIBILITY	Organization	N/A
	Function	N/A
MANAGEMENT RESPONSE	N/A	
MANAGEMENT ACTION PLAN	Management Action Plan details	Deadline
	N/A	N/A



2.3.4 Reporting of procurement activities

<p>AUDIT OBJECTIVE</p>	<p>The objective of the audit project was to determine whether:</p> <ul style="list-style-type: none"> contractual agreements were drawn up in compliance with Treasury Board (TB) and Canadian Space Agency (CSA) policies and government acts and regulations; associated payments were authorized in compliance with delegated authority and the <i>Financial Administration Act</i> (FAA); and reporting was done in compliance with requirements. 	
<p>FINDINGS</p>	<p>Criterion 4</p>	<p>Reporting of procurement activities complies with regulations and policies in effect.</p>
	<p>Condition</p>	<p>Conclusion about the criterion</p> <p>The CSA has only partially met its reporting obligations. A number of breaches were found.</p> <p>Reporting obligations</p> <p>The CSA has obligations to PSPC, the TBS, Indigenous and Northern Affairs Canada (INAC) and the Minister of Innovation, Science and Economic Development, as well as obligations relative to proactive disclosure on its website.</p> <p>The TB <i>Contracting Policy</i> states that departments and agencies must submit to the TBS an annual report providing details of all contracts awarded by or for the CSA, as well as the types of contracts awarded. The CSA complies with this requirement.</p> <p>We also found that the CSA fulfils its obligation to report and identify former public servants under contract with the CSA, and to submit annual reports to INAC. In the case of the Minister of Innovation, Science and Economic Development, the CSA must report identical bids where there is a suspicion of bid-rigging. No such cases were identified.</p> <p>Where a contract is awarded without a bid solicitation and the justification given is an emergency, the TBS must be notified within the 60-day period following authorization or the start of work. In 2014, the CSA awarded an emergency contract for building maintenance, but failed to notify the TBS, as required. This reporting obligation is less common and escaped the vigilance of the audited entity.</p> <p>Quarterly proactive disclosure reports</p> <p>Contracts or contract amendments with a value greater than \$10,000 must be disclosed every quarter on the CSA Web Site. This obligation is set out in the TBS <i>Guidelines on the Proactive Disclosure of Contracts</i> and concerns contracts awarded by the CSA as well as contracts awarded by PSPC on behalf of the CSA.</p> <p>During the 2013–2014 fiscal year, following a misinterpretation of</p>

<p>AUDIT OBJECTIVE</p>	<p>The objective of the audit project was to determine whether:</p> <ul style="list-style-type: none"> contractual agreements were drawn up in compliance with Treasury Board (TB) and Canadian Space Agency (CSA) policies and government acts and regulations; associated payments were authorized in compliance with delegated authority and the <i>Financial Administration Act</i> (FAA); and reporting was done in compliance with requirements. 	
		<p>the Guidelines, the CSA’s Procurement Division stopped disclosing information on CSA contracts awarded by PSPC. At the end of the 2014-2015 fiscal year, the Division realized its error and corrected the situation by disclosing CSA contracts awarded by PSPC in previous quarters. However, our audit found that to date, information on some contracts has still not been published. A total of 70 contracts and/or contract amendments with a value greater than \$10,000 awarded by PSPC on behalf of the CSA has not been published.</p> <p>We also identified several contracts awarded by the CSA in the third and fourth quarters of 2014-2015 that had not been disclosed as required. Following discussions with the persons concerned, it appears that these omissions were caused by the data extraction tool used. A total of 25 contracts and/or contract amendments with a value greater than \$10,000 awarded by the CSA have not been published for these two quarters.</p> <p>We thus identified a total of 95 contracts and/or contract amendments with a value greater than \$10,000 that were not disclosed as required.</p> <p>We also conducted a detailed review of the information published for a sample of 27 contracts. We found the following shortcomings:</p> <ul style="list-style-type: none"> 3 out of 27 contracts contained incorrect contract dates; 7 out of 27 contracts contained irregularities in the Comments section (e.g. three competitive contracts were disclosed as sole source contracts).
	<p>Causes</p>	<p>The disclosure report developed in house that was used is different from the disclosure report developed by the SAP working group for user departments. In addition, the internal procedure for providing guidance for persons responsible for disclosure was not followed.</p>
	<p>Impact</p>	<p>The deficiencies observed may have an impact on the CSA’s credibility with the central agencies and general public.</p>
<p>RECOMMENDATIONS</p>	<p>5. Review the process as well as tools used for proactive disclosure.</p>	
<p>IDENTIFIED RESPONSIBILITY</p>	<p>Organization</p>	<p>Finance Directorate</p>
	<p>Function</p>	<p>Manager, Procurement and Contract Administration</p>



APPENDIX A – TERMS OF REFERENCE

AUDIT OBJECTIVE	<p>The objective of the audit project was to determine whether</p> <ul style="list-style-type: none"> contractual agreements were drawn up in compliance with Treasury Board (TB) and Canadian Space Agency (CSA) policies and government acts and regulations; associated payments were authorized in compliance with delegated authority and the <i>Financial Administration Act</i> (FAA); and reporting was done in compliance with requirements. 		
Audit criteria	Audit sub-Criteria	<p>Sub-criterion met</p> <p>Sub-criterion partially met</p> <p>Sub-criterion not met</p>	<p>●</p> <p>●</p> <p>●</p>
<p>Criterion No. 1: Contracts are awarded in compliance with TB and CSA policies, acts and regulations.</p>	<p>Sub-criterion 1.1: Contracts awarded by the CSA’s Procurement and Contract Administration Division comply with the policies, directives and guidelines of the central agencies and the CSA.</p>		●
	<p>Sub-criterion 1.2: Delegated financial authority is exercised in accordance with the delegation of authority instrument (s. 32 of the FAA).</p>		●
	<p>Sub-criterion 1.3: Procedures used for the bid solicitation process and bids, as well as the public opening of bids are implemented in compliance with the policies, directives and guidelines of the central agencies and the CSA.</p>		●
	<p>Sub-criterion 1.4: Contract files kept by the Procurement and Contract Administration Division contain all relevant information supporting the decision.</p>		●
<p>Criterion No. 2: Contract management procedures are in place to ensure that expected results are obtained.</p>	<p>Sub-criterion 2.1: Payments associated with contracts are made in compliance with FAA requirements (ss. 34 and 33).</p>		●
<p>Criterion No. 3: A work framework has been set up for the awarding of contracts by PSPC on behalf of the CSA.</p>	<p>Sub-criterion 3.1: An agreement provides a framework for the delivery of services by PSPC to the CSA for the awarding of contracts.</p>		●
	<p>Sub-criterion 3.2: The service agreement between PSPC and the CSA is executed and the results are measured.</p>		●
<p>Criterion No. 4: Reporting of procurement activities complies with regulations and policies in effect.</p>	<p>Sub-criterion 4.1: Reporting obligations are established (TB, PSPC, CSA, proactive disclosure).</p>		●
	<p>Sub-criterion 4.2: Reports produced meet requirements and are submitted to recipients in a timely manner.</p>		●

