



Canadian Grain Commission  
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# **Audit of Contracting**

**Audit & Evaluation Services  
Final Report**

**September, 2015**

**Canada** 

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# Table of Contents

<b>Table of Contents</b> .....	<b>0</b>
<b>1.0 Executive Summary</b> .....	<b>1</b>
Conclusion .....	1
Statement of Assurance .....	2
Summary of Recommendations and Management Action Plans .....	2
<b>2.0 Introduction</b> .....	<b>5</b>
Authority for Audit .....	5
Background.....	5
Audit Objectives .....	5
Audit Scope.....	6
Approach and Methodology .....	6
<b>3.0 Findings and Recommendations</b> .....	<b>8</b>
Observation 1: Procurement Strategies (Criteria 1, 2, 3) .....	8
Observation 2: Signing Authority (Criteria 4, 6) .....	9
Observation 3: File Management (Criterion 5).....	10
Observation 4: Proactive Disclosure (Criterion 8) .....	12
<b>Appendix A – Audit Criteria</b> .....	<b>14</b>
<b>Appendix B – Impact of Recommendations</b> .....	<b>16</b>

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## 1.0 Executive summary

- 1.1 From October to December, 2014, Audit and Evaluation Services conducted a core control audit (an audit of certain common management controls identified by the Office of the Comptroller General) on the *Policy on Contracting*. All Canadian Grain Commission purchasing is centralized at headquarters in Winnipeg, with the Procurement, Contracting and Materiel Management team in the Finance and Administration division managing most purchases. Certain contracts (construction, leases) are managed by the Facilities unit, which is also within Finance and Administration..
- 1.2 The objective of the audit was to ensure the current procurement process at the Canadian Grain Commission is in compliance with the *Policy on Contracting*, the *Financial Administration Act*, and other related instruments, as well as to assess the quality of controls that help to ensure compliance. Audit and Evaluation Services analyzed recent contract and lease files and conducted various interviews to determine if the criteria established by the Office of the Comptroller General (Appendix A) was met.

### Conclusion

- 1.3 The Procurement, Contracting and Materiel Management team executes a large number of contracts and other contract instruments (ex. purchase orders, call-up of standing offer). The team is knowledgeable and guides Canadian Grain Commission management in making good procurement decisions. Procurement strategies for contracts reviewed during the audit were sound and resulted in vendors being selected in a fair and transparent manner. To further enhance controls, Audit and Evaluation Services identified opportunities for improvement related to documentation and file management.
- 1.4 Audit and Evaluation Services also identified opportunities to improve both file and project management related to lease files included in the contract sample. The Facilities group has already implemented these recommendations to keep better records of lease-related decisions.
- 1.5 Although this was primarily a compliance audit, Audit and Evaluation Services made additional observations while executing the audit steps. Two of these observations resulted in recommendations that were identified as being “high impact,” as follows:
- Budget managers should be responsible for authorizing payments (section 34) rather than Procurement staff (ref. 3.9); and
  - Management should seek guidance on Canadian Grain Commission’s signing authority related to leases (ref. 3.13).
- 1.6 Management has provided action plans for each recommendation. Management has, however, decided to rely on mitigating controls and accept the residual risk of not fully implementing two of the recommendations made in this report (Ref: 3.9, 3.27). Audit and Evaluation Services encourages management to continue to monitor these areas to ensure sufficient controls remain in place.

## Statement of assurance

1.7 In the professional judgment of the Chief Audit Executive, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the opinion provided and contained in this report. The opinion is based on a comparison of the conditions as they existed at the time, as described in the audit scope, against pre-established audit criteria. The opinion is applicable only to the entity examined. This audit engagement was planned and conducted to be in accordance with the Internal Auditing Standards for the Government of Canada.

## Summary of recommendations and management action plans

1.8 The following is a summary of recommendations contained in this report with management's action plans to address the topics identified. Please see Appendix B for a description of the recommendation impact (high, medium, low).

Report reference	Recommendations	Management action plans
<b>High impact</b>		
3.9	We recommend that <i>Financial Administration Act</i> Section 34 authorization for payment for all purchases be obtained from the responsible budget manager, rather than Procurement.	<p>Management disagrees with this recommendation and Procurement will remain the Section 34 authorization for purchases as there are compensating controls that exist to minimize risk to the organization. The budget manager signs off on the purchase requisition and Procurement only signs off on Section 34 if the invoice amount has a variance that is either less than 10% or less than \$1,000 higher than the signed purchase requisition. If the variance is beyond this threshold, the budget manager signs off on the invoice. This is monitored by both Procurement staff and Accounting Operations. The compensating controls are documented in our blanket signing authority document.</p> <p>The Manager of Accounting Operations will email both Procurement and Accounting Operations staff to remind them of these requirements and will identify issues of non-compliance.</p> <p>Status: To be implemented by August 31, 2015.</p>
3.13	We recommend that Management consult with central agencies (Treasury Board Secretariat, Public Works and Government Services Canada) and the Canadian Grain Commission's legal counsel if necessary, to assess the Canadian Grain Commission's signing authority for future lease situations and determine if further actions or disclosures are required in	<p>Management agrees with this recommendation and has received clarification from Public Works and Government Services Canada on our leasing authorities. There are no further disclosures required for the recent lease.</p> <p>Status: Complete.</p>

Report reference	Recommendations	Management action plans
	respect of a recent lease.	
<b>Medium impact</b>		
3.5	<p>Although the contracts sampled were in compliance with the <i>Contracting Policy</i> for the strategies chosen, the control required to show compliance was not complete. Having appropriate justification documents provides proof that the Canadian Grain Commission's decisions were sound and the best procurement strategy was chosen. We recommend that all of the following documents and notes, as applicable, be kept on file (either in the contract file or with the purchase order) for support and future reference:</p> <ul style="list-style-type: none"> <li>• Sole source justification;</li> <li>• Justification for not using a mandatory standing offer;</li> <li>• A note stating that the contract is fulfilling a Procurement Strategy for Aboriginal Business or Green Procurement requirement.</li> </ul>	<p>Management agrees with this recommendation and the Manager of Procurement, Contracting and Materiel Management will ensure that the procedure will be enhanced to amend the Purchase Requisition to include: (Check offs for Y/N or N/A)</p> <ul style="list-style-type: none"> <li>• Standing Offer</li> <li>• Competitive</li> <li>• Sole source</li> <li>• Procurement Strategy for Aboriginal Businesses</li> <li>• Green Procurement</li> </ul> <p>Sole source justifications will be included for goods exceeding \$10,000 and professional services exceeding \$5,000.</p> <p>Status: To be implemented by November 30, 2015.</p>
3.10	<p>If Management elects to continue delegating Section 34 signing authority to Procurement (item 3.9), we recommend that the restriction on signing both the "formal" contract and the Section 34 authorization be enforced and monitored by Accounting Operations.</p>	<p>Management agrees with this recommendation and the Manager of Accounting Operations will enforce that there should be different individuals signing the formal contract and the Section 34 authorizations and identify issues of non-compliance. The current Blanket Authority has been amended to clarify the signing requirement with respect to service contracts and will be monitored as part of the transaction processing function in Accounting Operations, and additionally as part of the S. 33 review.</p> <p>Status: Complete</p>
3.17	<p>We recommend that the Facilities group retains the necessary documentation to support all actions related to leasing arrangements and construction contracts that are not managed by Public Works and Government Services Canada.</p>	<p>Management agrees with this recommendation and the Manager of Administration will ensure that the Facilities group retains all necessary documents pertaining to lease arrangements on file.</p> <p>Status: Complete.</p>
3.27	<p>In order to ensure compliance with proactive disclosure requirements, we recommend that until such time as the Canadian Grain Commission's financial system can facilitate reporting of contracts, Procurement implements</p>	<p>Management agrees with this recommendation; however we have accepted certain risks in the interim as the Canadian Grain Commission is in the process of implementing a new financial system effective April 2016 and we assume that there will be enhanced controls in the system to facilitate</p>

Report reference	Recommendations	Management action plans
	<p>a control procedure to ensure all contracts and amendments are tracked, regardless of value. Contracts that do not require disclosure because of exceptions to the <i>Contracting Policy</i> should be indicated as such on the tracking.</p>	<p>automated proactive disclosure reporting.</p> <p>The Manager of Procurement, Contracting and Materiel Management will ensure that proactive disclosure reporting requirements are defined and implemented in the new system for automated reporting.</p> <p>Status: To be implemented by June 30, 2016.</p> <p>In the interim the Manager of Procurement, Contracting and Materiel Management will ensure that Procurement will continue to track contracts more than \$10,000 on a manual spreadsheet. The senior procurement officers will review the quarterly reports for completion. The Manager of Procurement, Contracting, and Materiel Management will reconcile the report to the Procurement Review Board's minutes and approve and sign off on the proactive disclosure reports before posting.</p> <p>Status: To be implemented by October 31, 2015.</p>
<b>Low impact</b>		
3.18	<p>We recommend that the Facilities group, along with the Project Management Office, ensures that Canadian Grain Commission project management procedures are followed for all facilities projects, including updated project documents and records related to projects.</p>	<p>Management agrees with this recommendation and the Manager of Administration will ensure that the Facilities group, along with the Project Management group follow Canadian Grain Commission project management procedures for all facilities projects, including updated project documents and records related to projects.</p> <p>Status: Complete.</p>
3.22	<p>We recommend that the Procurement and Accounting Operations units of Finance have one central file for contracts. This would prevent missing files, eliminate duplicates, and encourage the units to determine a tracking system that works for both of their reference numbers.</p>	<p>Management agrees with this recommendation and the Manager of Accounting Operations will ensure that the Accounting Operations unit maintain central contract files with complete documentation and invoices.</p> <p>Status: To be implemented by December 31, 2015.</p>
3.28	<p>We recommend that Procurement proactively disclose any omitted contracts at the earliest opportunity.</p>	<p>Management agrees with this recommendation and the Manager of Procurement, Contracting and Materiel Management will report missing contracts identified in this report and audit.</p> <p>Status: To be implemented by October 31, 2015.</p>

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## 2.0 Introduction

### Authority for audit

- 2.1 The mission of the Internal Audit function of Audit and Evaluation Services is to provide independent and objective assurance services designed to add value and improve the Canadian Grain Commission's operations. Internal Audit helps the Canadian Grain Commission accomplish its objectives by bringing a systematic, disciplined approach to assess and improve the effectiveness of risk management, control and governance processes.
- 2.2 The 2014-2017 Risk-Based Audit Plan approved by the Chief Commissioner in May, 2014 included "core control audits" to be performed at times over the three-year period. The Office of the Comptroller General at the Treasury Board of Canada Secretariat has published audit criteria for several core management controls that are common across the government, one of these being the *Contracting Policy*. This audit provided the opportunity to assess the purchase contract processes and ensure that they are in conformance with the *Contracting Policy*, the *Financial Administration Act*, and other related instruments.

### Background

- 2.3 The purchasing for the Canadian Grain Commission is centralized in head office in Winnipeg. The Procurement, Contracting and Materiel Management unit within the Finance and Administration division is responsible for all asset management in addition to managing all purchasing of goods and services for the Canadian Grain Commission. It is also responsible for providing support and advice to internal clients relating to procurement.
- 2.4 Within the Administration unit of the Finance and Administration division, the Facilities Management Officer is responsible for managing construction contracts and leases for all of the locations the Canadian Grain Commission occupies.
- 2.5 Public Works and Government Services Canada provides its services to federal departments and agencies, including the Canadian Grain Commission. Public Works and Government Services Canada provides procurement services such as issuing standing offers and supply arrangements as well as acting as the central purchasing agency when goods or services exceed a department's threshold. Public Works and Government Services Canada's Real Property Branch offers its vast portfolio of real estate expertise to the government and clients. The majority the Canadian Grain Commission's large contracts, leases, and construction projects are executed by Public Works and Government Services Canada, with input from the Canadian Grain Commission.

### Audit objectives

- 2.6 The objective of the audit was to assess compliance with the applicable Treasury Board of Canada Secretariat's policies as outlined in the Office of the Comptroller General's

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Core Controls Audit Criteria (Appendix A). The areas that were assessed for each contract (as applicable) included:

- Non-competitive procurement
- Procurement strategy
- Competitive procurement
- Expenditure initiation
- Contract management
- Account verification
- Contract payment
- Proactive disclosure
- Payable at year end.

2.7 Audit and Evaluation Services also assessed the quality of controls related to the compliance areas listed in the audit criteria. Effective controls can help ensure continued compliance with the various policies and related instruments.

## Audit scope

2.8 The scope of the audit included review and assessment of purchase contracts made by the Canadian Grain Commission for goods, services, and leases for compliance to various policies. Construction contracts were also in scope for this audit; however, the Canadian Grain Commission did not enter into any construction contracts within the audit time period.

2.9 A sample of contracts was selected from the period of July 1, 2013 to June 30, 2014, inclusive. Two contracts from the first quarter of 2013-14 (April – June 2013) were also included in the sample because they were listed in the Canadian Grain Commission's Quarter 2, 2013-14 proactive disclosure.

2.10 Transactions made on Procurement purchase cards were excluded from the scope of this audit because there are relatively few contract-related purchases on the cards and the dollar values are low.

## Approach and methodology

2.11 The audit methodology used by Audit and Evaluation Services is based on guidance provided by the Institute of Internal Auditors and the Office of the Comptroller General of Canada. The standards for internal audit are articulated in the Institute of Internal Auditors' *International Professional Practices Framework* and the Treasury Board Secretariat's *Policy on Internal Audit*.

2.12 The audit focused mainly on compliance in the contracting activities of the procurement process at the Canadian Grain Commission. The audit was conducted from October to December, 2014. Procedures performed during the examination phase included:

- Generating a population of contracts and selecting a sample.
- Interviewing various staff from the following teams:
  - Procurement, Contracting, and Materiel Management to obtain an understanding of the processes and procedures in place for initiating and managing a contract.

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- Accounting Operations to learn how the payment portion of the contract is handled after the goods or services have been received.
  - Facilities Management to review the process of arranging a lease and a construction contract.
  - Testing each sample against the Office of the Comptroller General's Core Control Audit Criteria (Appendix A) for compliance.

2.13 At the conclusion of the examination phase, recommendations for management were developed in areas where opportunities for control improvements were identified. Recommendations in this report have been categorized to reflect their potential impact. The criteria established for determining the impact is outlined in Appendix B. The impact is indicated following the text of each recommendation.

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## 3.0 Findings and recommendations

### Observation 1: Procurement strategies (Criteria 1, 2, 3)

#### Justification for strategy chosen

- 3.1 Various strategies are used by procurement to obtain goods or services for the Canadian Grain Commission. While competitive procurement can often provide the greatest opportunity for best value to the Crown, there are many other strategies that can be used effectively in different situations. Sole sourcing is an allowable method of procurement when certain conditions are met. Other initiatives that are considered include Procurement Strategy for Aboriginal Businesses and Green Procurement, in which suppliers may be selected based on factors other than price alone. In all cases, the choice of strategy, especially when non-competitive, needs to be clearly justified.
- 3.2 To simplify some purchasing requirements and leverage government-wide purchasing power, Public Works and Government Services Canada has a list of mandatory standing offers that applies to all departments. Should a department require any of the items on the list, a standing offer must be used first before any other procurement strategy, unless otherwise justified.
- 3.3 Within the audit sample there were examples of each of these procurement strategies. In all cases, Procurement used sound strategies and selected the vendors in a fair and transparent manner. Although Audit and Evaluation Services concluded that Procurement's decisions to use non-competitive strategies were justified, these decisions were not always supported by documentation in the files. Of the 5 contracts in the sample that were sole-sourced by the Canadian Grain Commission only 2 had justification on file. In another sample, the justification for not using a mandatory standing offer was not documented.

#### Documentation in a contract file

- 3.4 Because there is no listing of all of the Canadian Grain Commission's contracts (see Observation 4), Audit and Evaluation Services selected the sample of contracts from the population of purchase orders and the proactive disclosure listing for the audit time frame. Of the sample of 27 contracts selected, only 12 had actual contract files that could be used for testing against the audit criteria. The remainder only had purchase orders as documentation, which are filed along with the invoice in the Accounting Operations unit's files. The 15 contracts that could not be tested included call-ups on standing offers, contracts that meet Green Procurement and Procurement Strategy for Aboriginal Businesses requirements, and sole-sourced contracts that are allowable under the *Government Contracting Regulations*. It was not clear throughout the audit why some contracts were documented in a contract file, and others were treated as "just purchase orders" with no further documentation.

#### Recommendation:

- 3.5 Although the contracts sampled were in compliance with the *Contracting Policy* for the strategies chosen, the control required to show compliance was not complete. Having

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appropriate justification documents provides proof that the Canadian Grain Commission's decisions were sound and the best procurement strategy was chosen. We recommend that all of the following documents and notes, as applicable, be kept on file (either in the contract file or with the purchase order) for support and future reference:

- Sole source justification;
- Justification for not using a mandatory standing offer;
- A note stating that the contract is fulfilling a Procurement Strategy for Aboriginal Businesses or Green Procurement requirement.

(Impact: medium)

## **Observation 2: Signing authority (Criteria 4, 6)**

### **Procurement signing authority and segregation of duties**

- 3.6 The Canadian Grain Commission purchase requisition requires the signature of the budget manager to indicate an unencumbered balance is available to pay for the purchase (*Financial Administration Act* Section 32) and a "pre-authorization" for payment (*Financial Administration Act* Section 34). Although not budget managers, Canadian Grain Commission management granted the Procurement team blanket authority for Section 34 in an effort to help expedite the payment process. This authority allows Procurement, with restrictions, to sign Section 34 on behalf of any budget manager, acknowledging receipt of the purchased item in good order and authorizing payment. Prior to implementing this authority all invoices had to be sent to the appropriate budget manager for approval signatures, and documents were sometimes lost or delayed.
- 3.7 Because Procurement is also the contract signing authority, Accounting Operations enforces restrictions surrounding Procurement's blanket authority, preventing them from signing Section 34 in cases where they have already signed the contract on behalf of the end user. There were 2 instances within the sample of 12 "formal" contracts (where there was a contract document separate from the purchase order) where this segregation of duties was not maintained. In the cases where no separate contract document was used and the purchase order served as the contract, it was common for Procurement to sign both the purchase order and the Section 34 authorization.
- 3.8 The primary reason for granting Procurement blanket Section 34 signing authority is convenience which does not support principles of strong controls over purchasing and payment. Because the procurement area in any organization is inherently high risk, efforts to maintain adequate segregation of duties at all times should be made. Only the budget manager should approve payment for his or her collator.

### **Recommendations:**

- 3.9 We recommend that *Financial Administration Act* Section 34 authorization for payment for all purchases be obtained from the responsible budget manager, rather than Procurement.

(Impact: high)

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3.10 If management elects to continue delegating Section 34 signing authority to Procurement, we recommend that the restriction on signing both the “formal” contract and the Section 34 authorization be enforced and monitored by Accounting Operations.

(Impact: medium)

### **Canadian Grain Commission signing authority for lease transactions**

3.11 Leases and construction contracts are managed by the Administration unit (Facilities group) of Finance rather than Procurement. Public Works and Government Services Canada manages the majority of Canadian Grain Commission’s leases and construction contracts; however, recently Canadian Grain Commission has taken a more active file management role in relation to a lease of laboratory space. This included signing the lease agreement with the lessor.

3.12 Because this particular lease had not been proactively disclosed, Audit and Evaluation Services researched whether the lease required proactive disclosure. During the course of research it was revealed that both Canadian Grain Commission representatives and Public Works and Government Services Canada are uncertain of Canadian Grain Commission’s authority to enter into a lease agreement. As the laboratory does not include office or residential space, it is currently unclear whether the lease falls under the *Federal Real Property Act*, the *Contracting Policy*, or another instrument. Consequently, it is also unclear what Canadian Grain Commission’s signing authority is in this situation and whether proactive disclosure was required.

#### **Recommendation:**

3.13 We recommend that Management consult with Central Agencies (Treasury Board Secretariat, Public Works and Government Services Canada) and Canadian Grain Commission’s legal counsel if necessary to assess Canadian Grain Commission’s signing authority for future lease situations and determine if further actions or disclosures are required in respect of a recent lease.

(Impact: high)

### **Observation 3: File Management (Criterion 5)**

#### **Facilities**

3.14 As discussed in Observation 2, the Canadian Grain Commission has taken an active role in managing a recent laboratory lease. Although leases are not specifically covered under the *Contracting Policy*, the same principles for file management should apply. For instance, Audit and Evaluation Services expected that the leasing file for the laboratory space would contain justification for selection of the lessor demonstrating why the selection provided the best value. There was little documentation in the facilities file illustrating how decisions and approvals occurred related to this investment. Through research, Audit and Evaluation Services determined there were a number of due diligence steps that preceded the selection of the laboratory location, but due to departure of several employees that were originally involved in the project, some information and knowledge have been lost.

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- 3.15 Other key information such as financing approvals, subsequent to the original project plan approval, were not captured through the Canadian Grain Commission's project management process. The Project Management Office did not have any updates after the project was initiated in May 2013, although email evidence and meeting minutes confirm the laboratory lease project was discussed at the Executive Management Committee several times since then.
- 3.16 Laboratory environments are required by the Canadian Grain Commission for some core mandate and revenue-generating activities; consequently, it is possible the Facilities group will be working with other laboratory lease or construction files in the future. It is important that all relevant documentation be retained in the file to ensure the transaction can be reviewed by Canadian Grain Commission management, Internal Audit, or Central Agencies if required. Examples of documentation may include:
- Project management information (project plans, project charter, status updates, close-out documents)
  - Project approvals and financing decisions and arrangements
  - Legal review of documents (leases, contracts, etc.)
  - Details about competitive or non-competitive process (options, analysis, justification).

### **Recommendations:**

- 3.17 We recommend that the Facilities group retains the necessary documentation to support all of the actions related to leasing arrangements and construction contracts that are not managed by Public Works and Government Services Canada.

(Impact: medium)

- 3.18 We recommend that the Facilities group, along with the Project Management Office, ensures that Canadian Grain Commission project management procedures are followed for all facilities projects, including updated project documents and records related to projects.

(Impact: low)

### **Procurement and accounting operations**

- 3.19 The Procurement unit is responsible for setting up and managing contracts as well as reporting any contracts meeting the minimum proactive disclosure requirements on the Canadian Grain Commission website. Contracts are referenced by the unit using the standing offer agreement, purchase order, or contract number.
- 3.20 The Accounting Operations unit's responsibilities include accounts payable and capital related transactions. With regard to contracts the unit is responsible for paying associated invoices, using the invoice number as reference for these payments.
- 3.21 The two units use different reference numbers to identify the contract files making matching invoices to the contract number or purchase order difficult. The documents within the contract files (or even sections of some documents) can become separated as they moved from desk to desk throughout each unit of Finance. The risk associated with this is the possibility of important files going missing or being misfiled; for example,

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during the audit one of the sample files could not be located for several weeks. Having one central file would prevent documents from going missing and eliminate the need for Procurement to make duplicate copies of many of the files. Holding duplicate records in the files does not align with Canadian Grain Commission's Records and Information Management guidelines.

**Recommendation:**

3.22 We recommend that the Procurement and Accounting Operations units of Finance have one central file for contracts. This would prevent missing files, eliminate duplicates, and encourage the units to determine a tracking system that works for both of their reference numbers.

(Impact: low)

**Observation 4: Proactive disclosure (Criterion 8)**

3.23 As a federal government department, the Canadian Grain Commission is expected to maintain transparency at all times. This open government initiative is part of the federal government's efforts to help Canadian citizens hold the government and its departments accountable for how taxpayer money is spent. One such measure is the mandatory proactive disclosure of contracts exceeding \$10,000 by all departments and agencies.

3.24 The Procurement team uses a spreadsheet to track ongoing contracts within each quarter that need to be disclosed on the Canadian Grain Commission website. For the contracts in the sample there were several small errors found in the disclosed information. One service contract worth \$205,000 was not disclosed because it had inadvertently been omitted from the spreadsheet. Separate testing by Finance of the Canadian Grain Commission's Internal Controls over Financial Reporting (*Policy on Internal Control*) for the 2014-15 fiscal year also identified a concern over the completeness of the proactive disclosure report, and Audit and Evaluation Services was advised that at least one other contract, worth \$90,000 was also missed.

3.25 During the course of the audit, Audit and Evaluation Services sought clarification from the Treasury Board Secretariat of Canada on which types of contracts require proactive disclosure and was advised that contracts for the fit-up of an office are excluded. The contract noted in 3.24 above was executed as a regular service contract by Procurement, not a construction or lease-related contract, which would be managed by Facilities. However, as the services provided related to leasehold improvements there is a possibility it may not have required disclosure.

3.26 Canadian Grain Commission's financial system does not include a specific contracting module, which makes it necessary to use spreadsheets or other manual methods to track Canadian Grain Commission's purchase contracts. As the Procurement team only tracks contracts over \$10,000, there is currently no complete inventory of active contracts. Tracking all contracts would create a routine to help ensure no contracts are missed when completing the quarterly disclosure report and assist with monitoring. It would also capture amendments that cause lower-value contracts to reach the disclosure threshold, which are difficult to identify with Canadian Grain Commission's current financial system.

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**Recommendations:**

3.27 In order to ensure compliance with proactive disclosure requirements, we recommend that until such time as the Canadian Grain Commission's financial system can facilitate reporting of contracts, Procurement implements a control procedure to ensure all contracts and amendments are tracked, regardless of value. Contracts that do not require disclosure because of exceptions to the *Contracting Policy* should be indicated as such on the tracking.

(Impact: medium)

3.28 We recommend that Procurement proactively disclose any omitted contracts at the earliest opportunity.

(Impact: low)

We express our appreciation to staff and management of the Finance Division for their assistance during the course of this audit.

**This audit has been reviewed with:**

Cheryl Blahey, Chief Financial Officer

**Audit and Evaluation Services contact**

Brian Brown, Chief Audit Executive

# Appendix A – Audit criteria

Criteria	Sub-Criteria	Source
<p><b>1) Procurement Strategy: Non-Competitive</b></p> <p><i>(non-competitive method of supply include sole-source)</i></p> <p><b>There is documentation on file to support the justification for non-competitive procurement contracts in accordance with section 6 of government contract regulations.</b></p>	<p>1.1) Statement of work is defined prior to contract award.</p> <p>1.2) Justification on file for sole sourcing is appropriately documented and substantiated.</p> <p>1.3) Appropriate analysis is performed to achieve best value from the planning to appraise alternative contract.</p> <p>1.4) Former Public Servant services are justified and documented.</p> <p>1.5) Contracts with former public servants respect the twelve months "cool-off period".</p>	<p><a href="#">Policy on Contracting</a> - Section 10.2.1, 10.2.2 to 10.2.6, 10.5, 10.7.30, 11.2.7, 11.3, 16.8.3, 16.8.4, Appendix C</p> <p><a href="#">Government Contract Regulations</a> - Section 6</p>
<p><b>2) Procurement Strategy</b></p> <p><b>Appropriate tendering processes for bids are used in the proper circumstances.</b></p>	<p>2.1) The appropriate procurement vehicle is used.</p> <p>2.2) The contracting vehicle chosen is used in compliance with its terms and conditions.</p> <p>2.3) There is no evidence of contract splitting.</p>	<p><a href="#">Policy on Contracting</a> - Section 4.1.4, 10.4, 10.5, 10.7, 10.8, 16.8.3, 16.8.4, 16.8.5, 16.8.10, Appendix H - 2.3, 2.4</p>
<p><b>3) Procurement Competitive</b></p> <p><i>(methods of supply include contracts, standing offers and supply arrangements)</i></p> <p><b>Bid evaluation criteria were provided on Request for Proposal (RFP) documents and were used for contractor selection in an open, fair and transparent manner.</b></p>	<p>3.1) Bid selection method and evaluation criteria are clearly outlined in the bid solicitation document before the Request for Proposal is issued.</p> <p>3.2) For competitive processes, the Statement of Work (SOW), work description and evaluation criteria are open, fair and transparent and defined before bids are solicited.</p> <p>3.3) Contractors or goods were selected in accordance with the terms and conditions of the bid.</p> <p>3.4) The evaluation report has been signed by all the evaluators.</p>	<p><a href="#">Policy on Contracting</a> - Section, 4.1.9, 4.2.23, 16.1.2, 10.5, 10.8, 11.1, 11.3</p>
<p><b>4) Expenditure Initiation</b></p> <p><b>Funds commitment availability is certified by someone with the delegated authority prior to the expenditure initiation at the value expected to be incurred.</b></p>	<p>4.1) Expense is approved by the appropriate authority.</p> <p>4.2) Expense is approved prior to the event.</p> <p>4.3) Commitment is recorded at the value expected to be incurred.</p>	<p><a href="#">Policy on Contracting</a> - Section 4.1.8, Appendix C</p> <p><a href="#">Financial Administration Act</a> - Section 32</p> <p><a href="#">Directive on Expenditure Initiation and Commitment Control</a> - Section 6.1.2, 6.1.3, 6.2.7</p>

Criteria	Sub-Criteria	Source
<p><b>5) Contract Management.</b></p> <p><b>Contracts and contract amendments were approved prior to the receipt of any goods or services or the expiration of the original contract and supporting documentation is retained on file.</b></p>	<p>5.1) A copy of the signed, written contract is on file.</p> <p>5.2) Security requirements are addressed to ensure compliance with the provisions of the Government Security Policy.</p> <p>5.3) Intellectual Property (IP) rights are identified and addressed.</p> <p>5.4) The contracts are signed by someone with the proper delegated authority.</p> <p>5.5) Contract and amendments are issued before goods or services are received.</p> <p>5.6.) Contract amendments are properly justified and substantiated.</p> <p>5.7) Contract amendments are approved by authorized officers.</p> <p>5.8) Contract amendments are issued before contract expiry date.</p>	<p><a href="#">Policy on Contracting</a> - Section 4.2.23, 12.9, Appendix C, Appendix H - 2.6</p> <p><a href="#">Policy on Government Security</a></p>
<p><b>6) Account Verification.</b></p> <p><b>The performance of account verification is done by someone with the delegated authority to do so, is accomplished on a timely basis and verifies the correctness of the payment requested.</b></p>	<p>6.1) Account verification is performed by the appropriate delegated authority.</p> <p>6.2) Invoice certified is properly supported with proof of execution and cost.</p> <p>6.3) Account verification is conducted on a timely basis.</p>	<p><a href="#">Financial Administration Act</a> - Section 34</p> <p><a href="#">Directive on Account Verification</a> - Section 6.1, 6.2.1, 6.2.2, 6.3.1.1, 6.3.4</p>
<p><b>7) Contract Payment</b></p> <p><b>The payment and settlement is carried out by someone with proper delegation of authority and for the correct dollar amount and to the right vendor on a timely basis.</b></p>	<p>7.1) Invoice payment is issued for the correct amount, within the contract limit, and to the correct vendor.</p> <p>7.2) S.33 was signed by an employee with proper delegated authority.</p> <p>7.3) S.33 is completed before the payment is released.</p> <p>7.4) S.33 is processed on a timely basis, within payment terms.</p>	<p><a href="#">Financial Administration Act</a> - Section 33</p> <p><a href="#">Directive on Account Verification</a> - Section 6.1, 6.2.1, 6.3.1.1, 6.3.4</p>
<p><b>8) Proactive Disclosure.</b></p> <p><b>Contracts valued at over \$10,000 are publicly disclosed.</b></p>	<p>8.1) Contracts, including amendments, valued at over \$10,000 meet minimum proactive disclosure requirements.</p>	<p><a href="#">Guidelines on Proactive Disclosure on Contracts</a> - Section 3.1.2, 3.1.7, 3.1.8</p>
<p><b>9) Payable at Year End. (PAYE)</b></p> <p><b>A PAYE was properly set-up and the transactions were identified as such.</b></p>	<p>9.1) A PAYE was properly set-up and the transactions were identified as such.</p>	<p>Policy on Payables at Year-End</p>

(source: [www.tbs-sct.gc.ca/report/orp/2011/ccac-cvcb-eng.asp](http://www.tbs-sct.gc.ca/report/orp/2011/ccac-cvcb-eng.asp))

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# Appendix B – Impact of Recommendations

The following categories have been applied to each recommendation within this report. Categories are defined as follows:

## High

Recommendation:

- will improve management controls or control environment for the overall program/process/area/division/etc.
- may take considerable effort to implement within the operational environment or may involve a significant change
- may have a significant financial impact
- likely results in assumption of a substantial risk if *not* implemented (ex. decreased efficiency, higher risk of errors, lost cost savings opportunities)

## Medium

Recommendation:

- will improve management controls in that area
- will improve efficiency and/or effectiveness of operations in that area
- is not likely to require a significant effort to implement
- may have some financial impact; could be a less significant item that could accumulate over time to create a larger impact

## Low

Recommendation:

- promotes a good management practice
- likely improves day-to-day work experience
- likely requires minimal effort to implement
- will have limited financial or operational impact