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Final Report

2011-712

Audit of Standing Offers and Supply Arrangements: Creations, Renewals, and Extensions

March 27, 2014

Office of Audit and Evaluation



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MAIN POINTS

What we examined

- i. As a common service provider, Public Works and Government Services Canada (PWGSC) offers national leadership in the development and implementation of methods of supply, to meet the acquisition requirements and expectations of government departments and agencies.
- ii. Standing offers and supply arrangements are two methods of supply developed and implemented by PWGSC to help meet the needs of client departments while providing the best overall price for goods and services in a cost efficient and effective manner.
- iii. The audit examined PWGSC's management control framework over the creation, renewal, and extension of all types of standing offers and supply arrangements. Control frameworks are tools that help management in overseeing operations. An effective control framework incorporates governance, processes and controls that are appropriate for the benefits and risks of a given activity. The audit focused on standing offers and supply arrangements that were created, renewed, and extended at PWGSC headquarters and in the Atlantic Region between October 4, 2011 and May 30, 2012.

Why it is important

- iv. The Government of Canada's average annual core commodity spend attributable to standing offers and supply arrangements is approximately \$3.4 billion.
- v. As of April 27, 2012, there were approximately 2,722 standing offers in place with 7,888 standing offer holders and 104 supply arrangements with 1,914 supply arrangement holders. Each supplier issued a standing offer or supply arrangement is identified as a "holder".
- vi. Given the annual spend attributable to standing offers and supply arrangements, the high number of standing offers and supply arrangements in place, and the mandatory use of some standing offers and supply arrangements, it is important that PWGSC has an effective management control framework over the creation, renewal, and extension of standing offers and supply arrangements.

What we found

- vii. Overall, we found that a management control framework over the creation, renewal, and extension of standing offers and supply arrangements exists but needs some improvement in the areas of governance, process and key controls.
- viii. We found some weaknesses in the governance of standing offers and supply arrangements which may hinder the achievement of the PWGSC's objectives. Progress is being made in

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the development of national procurement strategies for goods and services; however, work on these strategies is proceeding slower than originally planned.

- ix. We found a lack of monitoring activities over the creation, renewal and extension of standing offers and supply arrangements which impacts the design and effectiveness of key controls.
- x. We found that a documented process for creating, renewing, and extending standing offers and supply arrangements existed, but that it could be clarified. We also found that departmental policy documents detailing the process were not regularly reviewed and updated.
- xi. We found that the design of controls within the review and endorsement process as well as the complexity and risk assessment processes had some weaknesses and could be enhanced.
- xii. We also found that the Standing Offer Index, which is intended to present a complete inventory of PWGSC generated standing offers and supply arrangements, was not complete or entirely up-to-date.

Management Response

All recommendations are accepted and recommended changes to the governance, policy, and controls of Standing Offers and Supply Arrangements will be done while conforming with ongoing changes resulting from the Acquisitions Program Transformation.

National Goods and Services Procurement Strategy – Background

The National Good and Services Procurement Strategy program is central to the “Smart Procurement Initiative” and the transformation of procurement affecting all departments. Its goal is to streamline processes, break down barriers, making it easier for suppliers to do business with the Federal Government. Each strategy provides guidance for a category, which results in more consistent and transparent procurement services.

Office of Small and Medium Enterprises and Strategic Engagement (OSME-SE) (center of expertise) is the lead for the 29 broad categories being reviewed over three Phases. All together, the categories have an annual spend of approximately \$15.7B¹. OSME-SE is in a better position to understand and align departments’ needs with industry capacity through early engagement, consultation and improved proactive governance.

Each category review follows a comprehensive analytical process and covers the full range of spend and procurement processes. This includes a two-stage consultation process to develop input from departments and industry. Each National Good and Services Procurement Strategy is

¹ Data is generated from the Spend Management System, which represents approximately 87% of GC spend, while the remaining 13% of spend has been extrapolated from the Public Accounts of Canada, to provide a 100% picture of GC spend.

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approved at the Assistant Deputy Minister level with a briefing note that is provided to the Minister for information.

Current Status

Fifteen categories were selected for Phase 1, including categories such as: office equipment, professional services, research and development, office furniture, communication services and vehicles. The categories IT hardware and software will now be the responsibility of Shared Services Canada.

Phase 2 has also been launched. Categories in this phase include language training, translation services, armament, travel services and environmental remediation.

Next Steps

Progress is being tracked and provided to the Deputy Minister. The engagement process with departments is being enhanced to improve communications by introducing focus groups.

Recommendations and Management Action Plan

Recommendation 1: The Assistant Deputy Minister, Acquisitions Branch, in collaboration with the Regional Directors General, should ensure that all key governance components including strategic direction and monitoring are in place to manage the creation, renewal, and extension of standing offers and supply arrangements.

Management Action Plan 1.1: We will implement a new governance structure for the creation, renewal, and extension of standing offers and supply arrangements. A DG Level Committee of the Acquisition Program, chaired by the Associate ADM, Acquisitions, will make decisions on strategic direction concerning operational monitoring, and management for the creation, renewal, and extension of standing offers and supply arrangements. To facilitate this work, the National Goods and Services Procurement Strategies (NGSPS) will be used as a framework for category management. As appropriate, key updates will be reported to the ADM Advisory Committee for Procurement Modernization for additional guidance.

Management Action Plan 1.2: The DG Level Committee will make policy decisions on creation, renewal, and extension of standing offers and supply arrangements. The use and monitoring of existing checklists will continue until new Policy direction is provided.

Management Action Plan 1.3 (reference 3.2): Reflecting stakeholder consultations, a Plan to implement structural changes to controls will be presented to the Governance Committee for implementation approval.

Management Action Plan 1.4: A plan will be developed setting out the policy instruments to be developed as part of the Acquisitions Program Policy Suite.

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Recommendation 2: The Assistant Deputy Minister, Acquisitions Branch, in collaboration with the Regional Directors General, should ensure that the process for creating, renewing, and extending standing offers and supply arrangements is clarified and consistently followed.

Management Action Plan 2.1: i) Requirements for documentation will be clarified and updated for creating, renewing, and extending standing offers and supply arrangements. Policy for the ii) monitoring and publishing of documents related to the standing offers and supply arrangements will also be clarified and updated.

Regional Individual Standing Offers (RISOs) and National Individual Standing Offers (NISOs) will be treated as individual departmental instruments and dealt with on a case by case basis, thus their posting on the Standing Offer Index is of little value and will no longer be on the Standing Offer Index.

Management Action Plan 2.2: A complete tracking and monitoring process for the creation and renewal of Master Standing Offers and Supply Arrangements will be established in the new Contract Management System to help ensure that policies are consistently followed; this system is the replacement for the current Acquisition Buyers Environment (ABE).

Recommendation 3: The Assistant Deputy Minister, Acquisitions Branch, in collaboration with the Regional Directors General, should ensure that key controls such as the Reviewer Endorsement questionnaire, Procurement Complexity Assessment and Procurement Risk Assessment questionnaires are appropriately designed, consistently applied and used in a manner that allows these controls to achieve their objectives. A control system to monitor the expiry of standing offers and supply arrangements should be developed.

Management Action Plan 3.1: Interim and longer term measures will be taken to improve controls to ensure that decisions are appropriately justified, duplication is avoided, socio-economic and other government objectives are considered.

In the interim: A Policy Notice and Fact Sheet will be sent to the procurement community explaining new policy and: i) common errors by PWGSC buyers when creating, renewing and/or extending Standing Offers and Supply Arrangements through posting of information on the Standing Offer Index, and ii) matters relating to required justification and documentation. This communication will guide the appropriate use of key procedural questionnaires: Reviewer Endorsement; Procurement Complexity Assessment; and, Procurement Risk Assessment.

Management Action Plan 3.2: Consultation with sectors and regions will begin to help identify, review, and validate existing controls and the possible creation of new ones.

Reflecting stakeholder consultation, a Plan will be developed and presented to the Governance Committee for implementation approval. This Plan will implement new structural changes to controls to ensure that i) decisions are appropriately justified, ii)

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duplication is avoided, iii) socio-economic and other government objectives are considered.

Management Action Plan 3.3: The new Contract Management System will capture information for monitoring. This will inform management that standing offers and supply arrangements decisions are i) appropriately justified, ii) duplication is avoided, iii) socio-economic and other government objectives are considered. This system will also enable iv) monitoring of expiry dates of standing offers and supply arrangements.

Management Action Plan 3.4: The Governance Committee structure will review data on the above (3.3) and on the completeness of the Standing Offer Index information, in accordance with revised departmental policy by reviewing regular reports.

Recommendation 4: The Assistant Deputy Minister, Acquisitions Branch, in collaboration with the Regional Directors General, should ensure that controls over the update and monitoring of the Standing Offer Index are strengthened.

Management Action Plan 4.1: The new Contract Management System will facilitate monitoring and control over the Standing Offer Index. The Governance Committee structure will review regular reports generated by the System to determine the completeness of the Standing Offer Index.

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INTRODUCTION

1. The authority for the conduct of this engagement comes from the Multi-Year Risk-Based Audit and Evaluation Plan which was recommended for approval by the Audit and Evaluation Committee and approved by the Deputy Minister of PWGSC.
2. As a common service provider, PWGSC offers national leadership in the development and implementation of methods of supply, such as standing offers and supply arrangements, to meet the acquisition requirements and expectations of government departments and agencies.
3. Canadians demand that procurement be conducted in an open, equitable and ethical manner. There also needs to be a balance between competing and sometimes conflicting government priorities such as operational requirements, efficiencies, savings and speed, as well as long-standing socio-economic (e.g. support for small and medium enterprises) and environmental performance improvement objectives. Satisfying government operational requirements is a challenge within a complex procurement environment.
4. Standing offers and supply arrangements are two methods of supply through which PWGSC is able to help meet the procurement needs of client departments while providing a competitive overall price for goods and services. At the same time, standing offers and supply arrangements respect government values and allow goods and services acquired to respect other government priorities such as Canadian content, employment equity, Procurement Strategy for Aboriginal Business and environmental considerations.
5. Standing offers have existed since the early 1960's and were developed to help reduce the number of solicitations and contract negotiations for repetitively ordered goods and services. They provide an administrative agreement with suppliers at pre-arranged prices or pricing methods, with set terms and conditions for a specified period of time. The terms and conditions of standing offers permit federal organizations to place a call-up (order) against them. Standing offers are not contracts until the government issues a call-up against the standing offer. The government is under no actual contractual obligation to purchase until that time.
6. There are five types of standing offers issued by PWGSC. The type used depends on the geographical area involved and the number of federal departments or agencies involved. The types are:
 - National Master Standing Offer – used by many departments or agencies throughout Canada.
 - Regional Master Standing Offer – used by many departments or agencies within a specific geographic area.
 - National Individual Standing Offer – used by a specific department or agency throughout Canada.
 - Regional Individual Standing Offer – used by a specific department or agency within a specific geographic area.

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- Departmental Individual Standing Offer – used only by PWGSC on behalf of specific departments and agencies.
7. A supply arrangement is a non-binding arrangement between the Government and a pre-qualified supplier that allows departments to solicit bids and award contracts from a pool of pre-qualified suppliers for a specific requirement within the scope of the supply arrangement. As such, a supply arrangement is a source list of pre-qualified suppliers for a range of goods and services. Once the pre-qualified supplier is selected, a contract is awarded.
 8. The use of standing offers and supply arrangements is beneficial because they are a cost effective and efficient method to procure goods and services since the work to identify potential suppliers is done prior to establishment of the standing offer and supply arrangement and does not require repeating each time a user needs these goods or services. Also they can be arranged with more than one supplier, providing many suppliers the opportunity to participate in Government procurement opportunities. In addition, standing offers allow clients to procure goods and services when required at pre-arranged prices, and under set terms and conditions, without the burden of engaging a full procurement process. Supply arrangements prequalify suppliers and establish the basic terms and conditions that will apply to a specific range of goods and services. Both methods of supply foster fairness and transparency.
 9. There are risks associated with standing offers and supply arrangements. For instance, if they are not used by the clients, there would be inefficiency as the time spent setting up the standing offers and supply arrangements would be lost and would need to be duplicated unnecessarily. In addition, suppliers who have earned the right to be in the standing offer or supply arrangement may not be considered as potential suppliers for a contract, if the client isn't aware that a standing offer or supply arrangement exists. Further, best value may not be achieved as the client may not receive the same price as guaranteed on the standing offer and supply arrangement. Finally government procurement objectives' achievement, which is built into standing offers and supply arrangements may not be achieved: if standing offers and supply arrangements are not set up properly, the information used for entry on the Standing Offer Index may not be correct and could be entered more than once; if the information on the Standing Offer Index is not up to date, standing offers and supply arrangements may expire unintentionally due to incorrect end dates listed; and if eligible vendors are not properly on the Standing Offer Index, they may not get an opportunity to be selected.
 10. The Government of Canada's average annual core commodity spend attributable to standing offers and supply arrangements is approximately \$3.4 billion. As of April 27, 2012, there were approximately 2,722 standing offers in place with 7,888 standing offer holders and 104 supply arrangements in place with 1,914 supply arrangement holders. Each supplier issued a standing offer or supply arrangement is identified as a "holder".
 11. Given the annual spend attributable to standing offers and supply arrangements, the high number of standing offers and supply arrangements in place, and the mandatory use of some

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standing offers and supply arrangements, it is important that PWGSC has an effective management control framework over the creation, renewal, and extension of standing offers and supply arrangements.

12. A strong management control framework would support appropriate governance over the creation, renewal and extension of standing offers and supply arrangements which would include aligning the strategic direction and strategic objectives to the Branch and the Department. In addition, processes for creating, renewing and extending standing offers and supply arrangements would be documented and communicated to employees. The framework would also include control activities that are properly designed and executed, and these activities would also be properly monitored. A strong framework would ensure that the objectives of standing offers and supply arrangements such as maximizing efficiency, transparency, fairness, best value and government priorities are achieved.
13. There are several stakeholders within PWGSC involved in the process for creating, renewing, and extending standing offers and supply arrangements (see Exhibit 1). Contracting Officers create, renew, and extend standing offers and supply arrangements. They are responsible for performing all aspects of a procurement, including: defining the requirements, developing a procurement strategy, preparing and issuing a solicitation, evaluating bids/offers and selecting successful suppliers, awarding contracts/standing offers/supply arrangements, and performing post-award management.
14. Before the creation, renewal or extension of any standing offer or supply arrangement, Contracting Officers must complete and submit a Request for Reviewer Endorsement questionnaire to the appropriate Commodity Reviewer. The purpose of Request for Reviewer Endorsement questionnaire is to: reduce duplication of standing offers and supply arrangements; increase the effectiveness, efficiency and level of quality of standing offers and supply arrangements; and ensure that within each standing offer and supply arrangement, applicable national/regional and social objectives are addressed. Commodity Reviewers are responsible for reviewing and endorsing/declining Requests for Reviewer Endorsement. The purpose of this review and approval is to provide oversight over the process.
15. The Procurement Strategy and Performance Management Directorate is responsible for governing the review and endorsement process described in paragraph 14. The Directorate's responsibilities include:
 - Educating all Commodity Reviewers about the process to follow when determining whether or not to endorse a request;
 - Providing assistance in the event of issues between Contracting Officers and Commodity Reviewers;
 - Communicating, on a regular basis, pertinent information to ensure that Commodity Reviewers are able to make informed decisions;
 - Performing analysis of endorsement requests on a semi-annual basis, with the goal of identifying overall trends and other goods and services for potential addition to the Annual Government-wide Plan for Commodity Management; and

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- Performing, on a yearly basis, an overall review of all activities with the goal of identifying areas for improvement and proceeding with subsequent improvements.
16. Additionally, the Procurement Strategy and Performance Management Directorate is responsible for the upkeep and maintenance of the Standing Offer Index. The Standing Offer Index is intended to present a complete inventory of PWGSC generated standing offers and supply arrangements.
 17. Furthermore, the Procurement Strategy and Performance Management Directorate is responsible for overseeing and coordinating the development of national procurement strategies. In 2007, in response to supplier and client concerns and to improve the inner-workings of the Government's procurement function, PWGSC launched the Procurement Modernization Initiative. As part of this initiative, the Acquisitions Branch planned to develop 29 national procurement strategies for 29 categories of goods and services (see Appendix A).
 18. A national procurement strategy defines the strategic framework under which a good or service will be managed. It describes the scope, methodology and supporting documentation required, as well as the approach for the implementation, management and duration of the strategy. The aim of the national procurement strategies is to improve, upon implementation, how the Government of Canada procures goods and services, within the federal procurement regulatory and policy requirements. Once a strategy is finalized, all contracting and contract management activities (including the creation, renewal, and extension of standing offers and supply arrangements) are to be done in accordance with the strategy.
 19. A three year annual plan to review the majority of the goods and services categories that the Government of Canada procures was developed and originally was scheduled to be completed by fiscal year 2012/13. The annual plan was updated and the latest version stated that year 1 will be completed by fiscal year 2014/15 with the final year of the three year plan to be completed by 2016/17. Currently four of 29 strategies have been finalized.
 20. In October 2011 as part of the efforts to streamline the Department's procurement control processes, Acquisitions Branch implemented new control processes for basic and standard procurements and the Policy, Risk, Integrity and Strategic Management Sector was the governing body over these control processes. The sector is responsible for providing strategic direction, advice, and oversight for the Acquisitions Branch. This includes developing strategic policies in support of the Government's trade obligations, socio-economic and environmental objectives; ensuring the integrity of the procurement process through cost audits and contract quality control; delivering insurance advisory services; enhancing contract management; and supporting the Acquisitions Branch's operations and financial management.

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EXHIBIT 1

Role and Responsibilities of Stakeholders in the Standing Offer and Supply Arrangement Creation, Renewal and Extension Process

Role	Responsibilities
Contracting Officers (located in Acquisitions Branch's Directorates)	<ul style="list-style-type: none"> • Creates, renews, and extends standing offers and supply arrangements. • Completes and submits Request for Reviewer Endorsement questionnaire. • Performs all aspects of a procurement: <ul style="list-style-type: none"> ○ define the requirements, ○ develop a procurement strategy, ○ prepare and issue a solicitation, evaluates bids/offers and selects successful suppliers, ○ award contracts/standing offers/supply arrangements, and ○ perform post-award management.
Commodity Reviewers (Director General and Director level located in Acquisitions Branch's Directorates and Regional Offices)	<ul style="list-style-type: none"> • Reviews and challenges Requests for Reviewer Endorsement questionnaire. • Endorses or declines Requests for Reviewer Endorsement questionnaire.
Procurement Strategy and Performance Management Directorate (Acquisitions Branch)	<ul style="list-style-type: none"> • Governs the Request for Reviewer Endorsement process. • Provides assistance in the event of issues between Commodity Reviewers and Contracting Officers. • Educates all Commodity Reviewers about the process to follow when determining whether or not to endorse a request. • Communicates pertinent information to ensure that Commodity Reviewers are able to make informed decisions. • Performs analysis of endorsement requests on a semi-annual basis. • Performs an overall review of all activities annually. • Maintains the Standing Offer Index. • Oversees and coordinates the development of national procurement strategies.
Policy, Risk, Integrity and Strategic Management Sector (Acquisitions Branch)	<ul style="list-style-type: none"> • Provides strategic direction, advice, and oversight for the Acquisitions Branch. • Develops strategic policies in support of the Government's trade obligations, socio-economic and environmental objectives; ensures the integrity of the procurement process through cost audits and contract quality control; delivers

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	insurance advisory services; enhances contract management; and supports the Acquisitions Branch's operations and financial management.
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FOCUS OF THE AUDIT

21. The objective of the audit was to determine whether PWGSC has an effective management control framework over the creation, renewal, and extension of standing offers and supply arrangements.
22. The audit focused on the governance, process, and controls related to the creation, renewal, and extension of all types of standing offers and supply arrangements. This objective and scope were selected as it was an area of risk that had not been previously audited or reviewed. Previous audits and reviews conducted by the OAE and the Office of the Auditor General of Canada focused on the utilization of standing offers and supply arrangements, Contract Award, and Contract Administration. Termination of standing offers and supply arrangements was not included in the scope based on a risk assessment that deemed them to be low risk at the time of this audit.
23. Standing offers and supply arrangements exist for a variety of goods and services. Acquisitions Branch is currently developing national procurement strategies relating to 29 commodities (see Appendix A). Since these strategies were still in development during the course of the audit, these strategies were excluded from the audit scope. The audit focussed on the governance, process, and controls related to the creation, renewal, and extension of all types of standing offers and supply arrangements existing at the time of the audit examination phase. The finalized national procurement strategies will form part of the scope of a future audit engagement.
24. We examined a sample of 30 judgmentally selected standing offers and supply arrangements created, renewed, and extended between October 4, 2011 and May 31, 2012 (inclusive) out of a total population of approximately 276. October 4, 2011 was selected as the start of the period covered by this audit because it was the date that the Policy, Risk, Integrity and Strategic Management Sector implemented new procurement processes. Judgemental sampling was used in order to ensure adequate coverage and a representative sample. The sample consisted of five procurement files for each of the five standing offer types, as well as five supply arrangement procurement files. All procurement files were selected from the National Capital Area and the Atlantic Region. OAE and Acquisitions Branch felt that the results of two regions would be representative of all regions across the country since the National Capital Area and the Atlantic Region had 70% of the total standing offer and supply arrangement holders.
25. More information on the audit objective, scope, approach and criteria can be found in the section “About the Audit” at the end of the report.

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STATEMENT OF CONFORMANCE

26. The audit conforms with the Internal Auditing Standards for the Government of Canada, as supported by the results of the quality assurance and improvement program.
27. Sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the findings and conclusions in this report and to provide an audit level of assurance. The findings and conclusions are based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria that were agreed on with management. The findings and conclusion are only applicable to the entity examined and for the scope and time period covered by the audit.

OBSERVATIONS

GOVERNANCE

28. Control frameworks are tools that help management in overseeing operations. An effective control framework incorporates governance, processes and controls that are appropriate for the benefits and risks of a given activity. An effective management control framework includes: clear strategic direction over the creation, renewal and extension of standing offers and supply arrangements, defined and communicated roles and responsibilities, and proper monitoring activities.
29. Governance is the combination of processes and structures implemented by management to inform, direct, manage and monitor the activities of the organization toward the achievement of its objectives. With good governance, Acquisitions Branch would ensure that the objectives of standing offers and supply arrangements such as maximizing efficiency, transparency, fairness, best value and government priorities are achieved.

National procurement strategies involving standing offers and supply arrangements are still in development

30. Strategic direction is a course of action that leads to the achievement of the goals of an organization's strategy. Strategic direction helps ensure the organization is clear on the objectives related to standing offers and supply arrangements.
31. We expected that Acquisitions Branch would have a designed, approved and implemented strategic plan to support the creation, renewal, and extension of standing offers and supply arrangements. This plan would ensure that procurement objectives are achieved and requirements are respected.
32. We found that currently, there is no formalized approach for providing strategic direction with regards to the creation, renewal and extension of standing offers and supply arrangements. Currently, standing offers and supply arrangements are created, renewed and extended from an operational perspective without any formalized integration.

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33. However, Acquisitions Branch as part of the Procurement Modernization Initiative, is undertaking a review of 29 commodities (see Appendix A) and is in the process of developing 29 national procurement strategies for these categories of goods and services. These 29 strategies will address approximately 69% (\$2.36 of \$3.43 billion) of the Government of Canada's average annual core commodity spend attributable to standing offers and supply arrangements. At this time, it is unclear whether 100% of total standing offer and supply arrangement spend will be addressed; however, it is expected that the total coverage will increase over time as the plan is updated and new strategies are developed. Once a national procurement strategy is finalized, all contracting and contract management activities (including the creation, renewal, and extension of standing offers and supply arrangements) are to be done in accordance with the strategy.
34. Although progress had been made towards the completion of the 29 planned national procurement strategies, overall progress was slower than originally planned. Of the 15 strategies originally planned for completion by the end of fiscal year 2010-2011, four were completed; the remaining 11 were expected to be completed by the end of fiscal year 2012-2013.
35. Even with the completion and finalization of the 29 national procurement strategies, 31% (approximately \$1.07 billion) of standing offer and supply arrangement spend will not be covered by any of these strategies. The standing offers and supply arrangements not addressed in a strategy will continue to be managed by Acquisitions Branch within its operational process.
36. As the national procurement strategies were not far enough along in their development and finalization, we could not assess the adequacy of the strategic direction relating specifically to the creation, renewal and extension of standing offers and supply arrangements.

Roles and responsibilities were defined and communicated

37. Roles and responsibilities describe what individuals and groups involved in a process are to do and that for which they are responsible. It is important that roles and responsibilities are defined so that individuals and groups are aware of what they should be doing in order to achieve organizational objectives.
38. We expected that Acquisitions Branch would have clearly defined roles and responsibilities for creating, renewing, and extending standing offers and supply arrangements, and that these roles and responsibilities would be communicated.
39. We found that roles and responsibilities for departmental employees involved in the creation, renewal, and extension of standing offers and supply arrangements were documented in the Supply Manual, with additional clarification and requirements provided in active Policy Notifications. Roles and responsibilities were also clearly communicated as the Supply Manual and active Policy Notifications were readily available on the Policy and Guidelines

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section of PWGSC's Buy and Sell website, and active Policy Notifications were distributed to Acquisitions Branch staff via email.

40. Defined and communicated roles and responsibilities help ensure that all employees involved in the creation, renewal and extension of standing offers and supply arrangements are aware of what is expected of them and can work towards adhering to the established process.

Monitoring requires improvement

41. Oversight and monitoring of processes and key controls are used to ensure that processes and controls are properly designed and operating as intended. This is important because it allows management to take the necessary actions to ensure that programs or initiatives are well managed.
42. We expected that processes and controls over the creation, renewal and extension of standing offers and supply arrangements would be monitored to assess their design, to ensure they were functioning as intended, and to make modifications as necessary.
43. The Procurement Strategy and Performance Management Directorate is responsible for monitoring the review and endorsement process for the creation, renewal and extension of standing offers and supply arrangements. Specifically, the Directorate is responsible for:
 - Performing analysis of requests sent to the Commodity Reviewer when a creation, renewal or extension of standing offers and supply arrangements is needed, on a semi-annual basis, with the goal of identifying overall trends and other goods and services for potential addition to the Annual Government-wide Plan for Commodity Management; and
 - Performing, on a yearly basis, an overall review of all activities related to the creation, renewal and extension of standing offers and supply arrangements with the goal of identifying areas for improvement and proceeding with subsequent improvements.

We found that the Procurement Strategy and Performance Management Directorate was not performing the above mentioned monitoring functions.

44. The Procurement Strategy and Performance Management Directorate is also responsible for monitoring the accuracy and completeness of standing offers and supply arrangements on the Standing Offer Index. However, we found that actual monitoring was limited and as a result, the Standing Offer Index was not complete or up to date. These monitoring activities are discussed in further detail in paragraphs 83 through 92.
45. The Policy, Risk, Integrity and Strategic Management Sector is responsible for the design and implementation of new procurement control processes implemented in October 2011. The new control processes include the requirement for Contracting Officers to complete Procurement Complexity Assessment and Procurement Risk Assessment questionnaires prior to launching procurement (see paragraphs 57 and 58 for the description and purpose of these

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assessments). We found that all completed Procurement Risk Assessment questionnaires were stored in a database and that this data was downloaded by the Sector monthly and reviewed for anomalies (e.g. multiple amendments). However, we found that neither questionnaire was being reviewed and assessed for completeness and accuracy. Additionally, we found that there was no requirement for completed Procurement Complexity Assessment questionnaires to be maintained on file (see paragraph 57).

46. No other groups within the Acquisitions Branch are responsible for monitoring any other aspect of the creation, renewal, and extension of standing offers and supply arrangements. However, we were informed that the Policy, Risk, Integrity and Strategic Management Sector was in the process of developing a post-award verification process to review procurement files following contract award, or issuance of a standing offer or supply arrangement for the purpose of assessing the quality of the contracting process. Once implemented, this post-award verification process is intended to provide a benchmark against which performance can be measured, and thus, a means by which to monitor and improve related processes and controls. This process will be performed by Quality Control and Support Services for the Procurement Division of the Policy, Risk, Integrity and Strategic Management Sector.
47. With limited monitoring of the creation, renewal, and extension of standing offers and supply arrangements, it may be difficult for the Acquisitions Branch to determine whether related processes and controls are properly designed, effective, and functioning as intended. Monitoring is important as it would provide management with information to determine if key controls need to be redesigned or if adjustments need to be made in the process to ensure that the creation, renewal, and extension of standing offers and supply arrangements is well managed.

PROCESS

A process for creating, renewing, and extending standing offers and supply arrangements was documented and communicated, but not regularly reviewed and updated

48. A process is a specified series of actions, acts or operations, which have to be executed in the same manner to always, obtain the same result under the same circumstances (i.e. compliance with the policies).
49. Documented and communicated processes are important so that employees are aware of their duties and functions. These processes are fundamental in ensuring that procurement is performed in accordance with applicable laws, trade agreements, as well as government and departmental policies.
50. We expected that the Acquisitions Branch would have a documented process in place for creating, renewing, and extending standing offers and supply arrangements, and that this process would be communicated, reviewed, and updated.

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51. We found that the process for creating, renewing, and extending standing offers and supply arrangements was documented in the Supply Manual, with additional clarification and requirements provided in four active Policy Notifications. The Supply Manual and all four active Policy Notifications were readily available on the Policy and Guidelines section of PWGSC's Buy and Sell website, and all four active Policy Notifications were distributed to Acquisitions Branch staff via email.
52. We found that although the process was documented and communicated, it was difficult to locate as it was documented throughout the Supply Manual's ten chapters and four active Policy Notifications. There were also instances in the Supply Manual where processes only made reference to contracts or to standing offers. While one might reasonably assume that these processes would also apply to both standing offers and supply arrangements, this was not explicitly stated in the Supply Manual. This may lead to Contracting Officers not fully understanding and following the process.
53. Additionally, we found that although two of the four active Policy Notifications came into effect in April 2010, as of October 2, 2012, neither Policy Notification had been updated nor incorporated into the Supply Manual. The Supply Manual is the primary source of direction for Contracting Officers and as such, Policy Notifications may be overlooked by Contracting Officers, which may impact compliance with the process.
54. If processes are not clearly documented and adequately and effectively communicated, they may not be correctly or consistently followed. If processes are not regularly reviewed and updated, elements may become obsolete or less effective at achieving their intended objectives.

The documented process for creating, renewing, and extending standing offers and supply arrangements was not always followed

55. We expected that the documented process for creating, renewing, and extending standing offers and supply arrangements as outlined in the Supply Manual and supporting Policy Notifications would be followed.
56. The documented process required, where necessary, that Request for Reviewer Endorsement questionnaires be completed and maintained on file. The purpose of this questionnaire is to: reduce duplication of standing offers and supply arrangements; increase the effectiveness, efficiency and level of quality of standing offers and supply arrangements; and ensure that within each standing offer and supply arrangement, applicable national/regional and social objectives are addressed. This questionnaire must be endorsed by the appropriate Commodity Reviewer. The risks of non-completion include that goods and services may be acquired through less efficient means and government priorities may not be achieved. Based on our analysis, 30 files in our sample of 30 required that a Request for Reviewer Endorsement questionnaire be completed. We found that 16 of the 30 files contained a completed questionnaire.

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57. We observed that although the documented process required that Procurement Complexity Assessment questionnaires be completed where necessary, there was no requirement for completed questionnaires to be maintained on file. The purpose of this questionnaire is to determine the complexity of a particular procurement, including the creation, renewal, or extension of a standing offer or supply arrangement, in order to direct the requirement into the appropriate process stream (basic, standard, or complex). The risks of non-completion include that the requirement may be directed into the wrong process stream, thus resulting in the inappropriate assessment of risk, and the incorrect application of procedures. Since completed questionnaires were not on file, we were unable to assess compliance with the requirement to complete Procurement Complexity Assessment questionnaires. This lack of documentation may make it difficult to analyze results and improve this tool.
58. The documented process required that, where necessary, Procurement Risk Assessment questionnaires be completed and maintained on file. The purpose of this questionnaire is to determine the level of risk the Government of Canada faces for a particular procurement, including the creation, renewal, or extension of a standing offer or supply arrangement. This assessment process provides the foundation for risk response strategies to be employed, and provides guidance and instructions to Contracting Officers when high risks are identified. This assessment process also determines the required Approval Authority level. The risks of non-completion include that high risk areas may not be adequately considered, resulting in procurement objectives of fairness and transparency not being achieved. Based on our analysis, 18 files in our sample of 30 required that a Procurement Risk Assessment questionnaire be completed. We found that 17 of the 18 files contained a completed questionnaire.
59. The documented process required, where necessary, that planning/approval documents be completed and maintained on file. The purpose of a planning/approval document is to set out the intended strategy for how a particular procurement will be carried out, including the creation, renewal, or extension of a standing offer or supply arrangement. A planning/approval document must be approved at the appropriate Approval Authority level, as determined by the Procurement Risk Assessment questionnaire. The risk of non-completion is that the resulting strategies may be inappropriate for the requirement. Resulting procurements may also not comply with federal contracting regulations and applicable trade agreements. Based on our analysis, 21 files in our sample of 30 required that a planning/approval document be completed. We found that 15 of the 21 files contained a completed planning/approval document.
60. The documented process further required that solicitation documents be prepared and maintained on file for the creation or renewal of all standing offers and supply arrangements. The purpose of a solicitation document is to provide a clear definition of the requirement and to solicit bids/offers/arrangements. A solicitation document must include, as a minimum: bid/offer/arrangement preparation instructions, evaluation criteria, evaluation procedures certification requirements, security requirements, and resulting contract clauses. The risk of non-completion include that unsigned certification clauses may not be enforceable. It may

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also be difficult to demonstrate and open, fair, and transparent procurement process. Of the 18 creation/renewal files we reviewed, 15 files contained a solicitation document.

61. Government procurement is often used as an instrument to support and advance important socio-economic and other government objectives. One way this is accomplished is through the inclusion of relevant certification clauses in solicitation documents. Standard solicitation document templates include guidance with respect to the inclusion of certification clauses for aboriginal businesses, Canadian content, employment equity, and former public servants.
62. We found that certification clauses were not always included in solicitation documents. For example, the former public servant certification was applicable in 18 of the 30 files we sampled. The Treasury Board *Contracting Policy* states that contracts for the services of former public servants in receipt of a pension or of a lump sum payment are to bear the closest public scrutiny and reflect fairness in spending public funds. Contracting authorities should exercise discretion when contracting with former employees in receipt of a pension or of a lump sum payment. Of these 18 files, 11 contained the applicable certification clause. Additionally, we found that certification clauses included in solicitation documents were not always signed. For example, in one file sampled, we found that three of the 11 holders did not sign the Employment Equity certification clause included in the solicitation document. Unsigned certification clauses may not be enforceable.
63. We determined that the cause for the Request for Reviewer Endorsement questionnaire, the Procurement Complexity Assessment questionnaire and the planning documents not been consistently completed was non-compliance. This is evident as the process was documented and communicated. Failing to follow the documented process may lead to standing offers and supply arrangements that: do not satisfy the operational requirements of client departments nor obtain best value; duplicate standing offers and supply arrangements; and do not incorporate important socio-economic and other government objectives.

CONTROL

64. Controls are any actions taken by management or other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.
65. We expected the Acquisitions Branch to have established, documented, and implemented controls embedded in the process to manage risks associated with the creation, renewal, and extension of standing offers and supply arrangements.

The review and endorsement process requires improvement

66. The Supply Manual states that PWGSC will make every reasonable effort to satisfy the operational requirements of its clients, while obtaining the best value in each procurement process. Thus, decisions to create, renew, and extend standing offers and supply arrangements should be adequately justified.

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67. The Supply Manual also states that before determining a new method of supply for a requirement, the Contracting Officer should first ensure that the good or service is not already available from an existing procurement instrument.
68. Additionally, the Supply Manual states that the following seven socio-economic and other government objectives must be considered when developing a procurement strategy: green procurement, small and medium-sized enterprises, comprehensive land claims agreements, the procurement strategy for aboriginal business, Canadian content, employment equity, and contracting with former public servants.
69. Before the creation, renewal or extension of any standing offer or supply arrangement, Contracting Officers are required to complete and submit a Request for Reviewer Endorsement questionnaire, to the appropriate Commodity Reviewer. Once received, the Commodity Reviewer verifies the request and either endorsed or declined it. This review and endorsement process provides a mechanism for the Acquisitions Branch to manage risks associated with the creation, renewal, and extension of standing offers and supply arrangements and to address the Supply Manual requirements. The review and endorsement process helps to:
- ensure that decisions to create, renew, and extend standing offers and supply arrangements are properly justified;
 - control the duplication of standing offers and supply arrangements; and
 - ensure that important socio-economic and other government objectives are considered and incorporated into standing offers and supply arrangements.
70. We expected that the Request for Reviewer Endorsement questionnaire would contain questions that were clear and relevant to the creation, renewal, and extension of standing offers and supply arrangements. Additionally, we expected that Request for Reviewer Endorsement questionnaires would be completed accurately and correctly by Contracting Officers, and that insufficient responses would be challenged by Commodity Reviewers. Furthermore, we expected that the review and endorsement process would be monitored to assess its design, to ensure it was functioning as intended, and to make modifications as necessary.
71. We found that the Request for Reviewer Endorsement questionnaire did contain a question requiring the Contracting Officer to explain why a standing offer or supply arrangement was being extended and how the extension was in the best interest of Canada. However, we found that similar justification was not required for creations and renewals.
72. We found that the Request for Reviewer Endorsement questionnaire contained a question pertaining to duplication and a response of yes or no was acceptable. Contracting Officers were not required to explain how it was determined that the standing offer or supply arrangement did not duplicate an existing procurement instrument.

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73. We found that the Request for Reviewer Endorsement questionnaire contained three questions pertaining to only four of the seven socio-economic and other government objectives. Additionally, the three questions were worded in such a way that simple positive responses (e.g. “yes”), meaning the objectives were considered, were acceptable to Commodity Reviewers. Contracting Officers were not required to explain in the Request for Reviewer Endorsement how exactly the objectives were considered. Contracting Officers were only required to explain negative responses (e.g. “no”) or “N/A”, meaning the objectives were not considered or were not applicable; however, we found that negative responses were not always challenged. For example, we noted that in five of 12 Request for Reviewer Endorsements completed for creations/renewals, the Contracting Officer responded “N/A” to the question pertaining to green procurement without providing any explanation to support the response. All five of these requests were endorsed by the Commodity Reviewer without comment. Furthermore, one of the three questions covered two different objectives that were not mutually exclusive, but the question was worded in such a way that both objectives were presented to the Contracting Officer in an either or fashion.
74. As detailed in paragraph 56, we observed many instances where Requests for Reviewer Endorsement were not completed. By not completing a Request for Reviewer Endorsement, an important mechanism to manage risks associated with the creation, renewal, and extension of standing offers and supply arrangements is being bypassed.
75. As detailed in paragraph 43, we observed that the review and endorsement process was not being monitored. With limited monitoring, it may be difficult for the Acquisitions Branch to determine whether the review and endorsement process is properly designed, effective, and functioning as intended. Design issues such as those described in paragraphs 71 through 73 may go undetected.
76. Based on our observations, the review and endorsement process had weaknesses and could be enhanced. These weaknesses included: the design of some of the questions in the questionnaire; no requirement for justification; the questionnaire not being consistently completed; and limited monitoring. As a result: standing offer and supply arrangement creations, renewals, and extensions may not be adequately justified; duplication of existing standing offers and supply arrangements may occur; and important socio-economic and other government objectives may not be incorporated into standing offers and supply arrangements.

The complexity and risk assessment processes requires improvement

77. Before any significant procurement actions are taken, Contracting Officers are required to prepare a planning approval document, to be approved by an individual with the required Approval Authority level. In order to determine the required Approval Authority level, the complexity of the procurement has to first be determined. The complexity is determined by a Manager or regional Team Leader through the completion of a Procurement Complexity Assessment questionnaire. Procurements can be classified as either basic, standard, or complex. If the procurement is determined to be either basic or standard in complexity, the

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Approval Authority level is then determined by the Contracting Officer through the completion of a Procurement Risk Assessment questionnaire. If the procurement is determined to be complex, the Approval Authority level is determined by dollar value alone. These complexity and risk assessment processes were developed by the Policy, Risk, Integrity and Strategic Management Sector and were implemented in October 2011.

78. We expected that the Procurement Complexity Assessment and Procurement Risk Assessment questionnaires would contain clear questions that were relevant to the creation, renewal, and extensions of standing offers and supply arrangements. Additionally, we expected that questionnaires would be accurately and correctly completed by Contracting Officers. Furthermore, we expected that the complexity and risk assessment processes would be monitored to assess their design, to ensure they were functioning as intended, and to make modifications as necessary.
79. We observed that the Procurement Risk Assessment questionnaire appeared to have been tailored more for contracts and was less appropriate for standing offers and supply arrangements. Many of the questions did not appear to be applicable to standing offers and supply arrangements, appeared to be difficult to answer with respect to standing offers and supply arrangements, or appeared to be confusing.
80. As detailed in paragraphs 57 and 58, we observed that the Procurement Risk Assessment questionnaires were completed when required, but were unable to assess compliance with the requirement to accurately and correctly complete Procurement Complexity Assessment questionnaires.
81. As detailed in paragraph 45, we observed that limited monitoring activities with respect to the review and assessment of the Procurement Complexity Assessment and Procurement Risk Assessment questionnaires were being performed. With limited monitoring, it is difficult for the Acquisitions Branch to determine whether the complexity and risk assessment processes are effective and functioning as intended.
82. Based on our observations, the complexity and risk assessment processes had weaknesses and could be enhanced. These weaknesses included inconsistent completion of the questionnaire, the poor design of some of the questions in the Procurement Risk Assessment questionnaire, and limited monitoring. The impact of these weaknesses increases the risk of an inefficient process whereby departments and agencies may not obtain the best value or the process not being open and equitable to all suppliers.

Controls over the Standing Offer Index requires improvement

83. The Standing Offer Index was designed to communicate the availability of standing offers and supply arrangements to client departments and agencies, and to assist users with their procurement activities by allowing them to determine if a standing offer or supply arrangement exists to meet their requirements. It is intended to present a complete inventory of PWGSC generated standing offers and supply arrangements.

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84. It is important that all standing offers and supply arrangements be listed on the Standing Offer Index so that client departments know of their existence and can achieve time and cost savings through their usage. It is also important that exact terms and conditions and call-up procedures are known by client departments.
85. In 2008, the Office of Audit and Evaluation conducted an Audit of Information about the Utilization of Standing Offers. This audit observed that not all standing offer documents were posted on the Standing Offer Index, including one mandatory standing offer.
86. In the associated management action plan, the Acquisitions Branch committed to monitor the Standing Offer Index on a weekly basis to ensure all standing offer and supply arrangement documents are posted to the Index and the information is up-to-date. The Branch also committed to conduct a weekly comparative analysis between the Automated Buyer Environment and the Standing Offer Index to ensure all standing offers and supply arrangements appear on the Index. The target implementation date for this management action plan was October 30, 2009.
87. We found that the Quality Assurance Division within the Procurement Strategy and Performance Management Directorate was responsible for the upkeep and maintenance of the Standing Offer Index. This included monitoring the Index to ensure that all standing offers and supply arrangements were listed, and that the information provided was up-to-date.
88. We found that the Quality Assurance Division was performing some monitoring activities on the Index; however, some gaps were noted. Also, the Quality Assurance Division was not conducting a weekly comparative analysis between the Automated Buyer Environment and the Index in accordance with the approved management action plan. Monitoring activities performed by Quality Assurance Division were not as described in the approved management action plan.
89. We conducted an analysis of the Standing Offer Index to determine if there was a one-to-one relationship between the number of standing offer and supply arrangement holders and the number of standing offers and supply arrangements documents posted. Of the 9,154 holders listed as at March 21, 2012 for which we expected a document to be posted, there were 1,669 (18%) documents missing. We noted that in addition to the standing offer or supply arrangement document detailing the terms and conditions, the Standing Offer Index included tombstone data. This data included a brief description of the good or service, start and end dates, and supplier and Contracting Officer contact information. Although the inclusion of such data is beneficial to users of the Standing Offer Index, without the standing offer or supply arrangement document detailing the terms and conditions, sufficient information is not provided to allow for standing offers and supply arrangements to be used properly.
90. We conducted an analysis of all National Master Standing Offer documents posted on the Standing Offer Index to determine if they were up-to-date. Of the 73 unique National Master Standing Offers listed as at April 27, 2012, 12 (16%) contained at least one error (e.g. at least

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one standing offer document in the series posted on the Standing Offer Index did not contain the latest amendment).

91. Additionally, we observed instances where the delivery points listed on the Standing Offer Index for a particular standing offer or supply arrangement did not match the actual delivery points described in the standing offer or supply arrangement. This is problematic if the delivery points listed on the Standing Offer Index are more restrictive than the actual delivery points in the standing offer or supply arrangement. For example, if a National Master Standing Offer with delivery points in all ten provinces is listed on the Standing Offer Index as having a single delivery point in the "National Capital Region", this particular National Master Standing Offer will not appear if any of the ten provinces is selected by the user. Accordingly, standing offer and supply arrangement holders may be unfairly and incorrectly excluded from search results.
92. The Standing Offer Index was not complete nor entirely up-to-date. As a result, client departments may be unaware of the existence of certain standing offers and supply arrangements and/or their exact terms and conditions, and may be acquiring goods and services through other less efficient means. Additionally, suppliers may be unfairly missing out on call-ups/contracts because their particular standing offer or supply arrangement is not posted to the Index, or because the delivery points listed on the Index are incorrect. Furthermore, Contracting Officers may not find a duplicate standing offer or supply arrangement when they search the Standing Offer Index, and as a result, duplication of existing standing offers and supply arrangements may occur.

Controls over the monitoring of end dates requires improvement

93. When a standing offer or supply arrangement exists, it will eventually approach its end date. It is important to monitor this end date to ensure the standing offer or supply arrangement does not expire unintentionally.
94. Each standing offer and supply arrangement is assigned to a Contracting Officer and that the end date of each standing offer and supply arrangement is stored in the Automated Buyer Environment. However, we found there were no centrally developed documented guidelines to assist Contracting Officers in determining how best to monitor the end dates of their standing offers and supply arrangements. We also found that Atlantic Region used a regionally developed and maintained database to manage end dates.
95. There was no centralized group tracking the end dates of standing offers and supply arrangements. There was also no standardized process used to notify Contracting Officers of upcoming standing offer and supply arrangement end dates, and provide sufficient lead time to renew the standing offers and supply arrangements before they expire.
96. We found that mandatory standing offers for furniture expired unintentionally in January 2011. As a result, there were no furniture standing offers in place for approximately two months while the procurement was retendered and new standing offers were created.

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97. In one extension file sampled, we observed that the standing offer was extended 45 days after it had expired (option year was exercised). In another extension file sampled, we observed that a previous extension had occurred approximately three months earlier. At the time of the earlier extension, eight of the 10 holders within the series had each expired by one to two days.
98. Expirations may be occurring due to inadequate planning and insufficient monitoring. Creating or renewing new standing offers and supply arrangements to replace ones that have expired unintentionally is an inefficient use of departmental resources. Extending a standing offer and supply arrangement once it has expired could lead to a Canadian International Trade Tribunal challenge as this practice could be considered unfair for other suppliers who may have become holders had the procurement been retendered.

CONCLUSION

99. Overall, we found that a management control framework over the creation, renewal, and extension of standing offers and supply arrangements exists. We found that the management control framework needs some improvement in the areas of governance, process and key controls.
100. Although progress had been made towards the completion of the 29 planned national procurement strategies, the development of national procurement strategies was proceeding slower than originally planned; currently there are four of 29 finalized. Also, approximately one third of total standing offer and supply arrangement spend is currently not addressed by the 29 planned national procurement strategies. At this time, it is unclear whether 100% of total standing offer and supply arrangement spend will be addressed; however, it is expected that the total coverage will increase over time as the plan is updated and new strategies are developed.
101. Roles and responsibilities for creating, renewing, and extending standing offers and supply arrangements were defined and communicated.
102. We found a lack of monitoring activities over the creation, renewal and extension of standing offers and supply arrangements which would impact the design and effectiveness of key controls.
103. The process for creating, renewing, and extending standing offers and supply arrangements was documented and communicated; however, the process was difficult to understand as it was documented throughout the Supply Manual's ten chapters and four active Policy Notifications. Additionally, processes were not always specific to standing offers and supply arrangements. Furthermore, two relevant Policy Notifications have not been reviewed and updated, nor integrated into the Supply Manual in over two years.
104. The documented process for creating, renewing and extending standing offers and supply arrangements was not always followed. The requirement to accurately complete the Request

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for Reviewer Endorsement and Procurement Risk Assessment questionnaires, and planning approval documents was also inconsistently followed.

105. The review and endorsement process could be enhanced. Weaknesses were noted with respect to the design of some of the questions in the Request for Reviewer questionnaire, no requirement for justification, the questionnaire not being consistently completed, and limited monitoring.
106. The complexity and risk assessment processes could be enhanced. Weaknesses were noted with respect to the design of some of the questions in the Procurement Risk Assessment questionnaire, and limited monitoring.
107. Limited controls existed to ensure that the Standing Offer Index was accurate, complete and up-to-date. Monitoring activities are being performed by the Quality Assurance Division within the Procurement Strategy and Performance Management Directorate, but these monitoring activities could be strengthened.
108. Controls over the monitoring of standing offer and supply arrangement end dates could be strengthened. Unintentional expirations have occurred, and standing offers and supply arrangements have also been extended after expiration.
109. Once improvements are made, the Department will have an effective management control framework over the creation, renewal, and extension of standing offers and supply arrangements.

Management Response

All recommendations are accepted and recommended changes to the governance, policy, and controls of Standing Offers and Supply Arrangements will be done while conforming with ongoing changes resulting from the Acquisitions Program Transformation.

National Goods and Services Procurement Strategy – Background

The National Good and Services Procurement Strategy program is central to the “Smart Procurement Initiative” and the transformation of procurement affecting all departments. Its goal is to streamline processes, break down barriers, making it easier for suppliers to do business with the Federal Government. Each strategy provides guidance for a category, which results in more consistent and transparent procurement services.

Office of Small and Medium Enterprises and Strategic Engagement (OSME-SE) (center of expertise) is the lead for the 29 broad categories being reviewed over three Phases. All together, the categories have an annual spend of approximately \$15.7B^{2*}. OSME-SE is in a better position

² Data is generated from the Spend Management System, which represents approximately 87% of GC spend, while the remaining 13% of spend has been extrapolated from the Public Accounts of Canada, to provide a 100% picture of GC spend.

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to understand and align departments' needs with industry capacity through early engagement, consultation and improved proactive governance.

Each category review follows a comprehensive analytical process and covers the full range of spend and procurement processes. This includes a two-stage consultation process to develop input from departments and industry. Each National Good and Services Procurement Strategy is approved at the Assistant Deputy Minister level with a briefing note that is provided to the Minister for information.

Current Status

Fifteen categories were selected for Phase 1, including categories such as: office equipment, professional services, research and development, office furniture, communication services and vehicles. The categories IT hardware and software will now be the responsibility of Shared Services Canada.

Phase 2 has also been launched. Categories in this phase include language training, translation services, armament, travel services and environmental remediation.

Next Steps

Progress is being tracked and provided to the Deputy Minister. The engagement process with departments is being enhanced to improve communications by introducing focus groups.

Recommendations and Management Action Plan

Recommendation 1: The Assistant Deputy Minister, Acquisitions Branch, in collaboration with the Regional Directors General, should ensure that all key governance components including strategic direction and monitoring are in place to manage the creation, renewal, and extension of standing offers and supply arrangements.

Management Action Plan 1.1: We will implement a new governance structure for the creation, renewal, and extension of standing offers and supply arrangements. A DG Level Committee of the Acquisition Program, chaired by the Associate ADM, Acquisitions, will make decisions on strategic direction concerning operational monitoring, and management for the creation, renewal, and extension of standing offers and supply arrangements. To facilitate this work, the National Goods and Services Procurement Strategies (NGSPS) will be used as a framework for category management. As appropriate, key updates will be reported to the ADM Advisory Committee for Procurement Modernization for additional guidance.

Management Action Plan 1.2: The DG Level Committee will make policy decisions on creation, renewal, and extension of standing offers and supply arrangements. The use and monitoring of existing checklists will continue until new Policy direction is provided.

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Management Action Plan 1.3 (reference 3.2): Reflecting stakeholder consultations, a Plan to implement structural changes to controls will be presented to the Governance Committee for implementation approval.

Management Action Plan 1.4: A plan will be developed setting out the policy instruments to be developed as part of the Acquisitions Program Policy Suite.

Recommendation 2: The Assistant Deputy Minister, Acquisitions Branch, in collaboration with the Regional Directors General, should ensure that the process for creating, renewing, and extending standing offers and supply arrangements is clarified and consistently followed.

Management Action Plan 2.1: i) Requirements for documentation will be clarified and updated for creating, renewing, and extending standing offers and supply arrangements. Policy for the ii) monitoring and publishing of documents related to the standing offers and supply arrangements will also be clarified and updated.

Regional Individual Standing Offers (RISOs) and National Individual Standing Offers (NISOs) will be treated as individual departmental instruments and dealt with on a case by case basis, thus their posting on the Standing Offer Index is of little value and will no longer be on the Standing Offer Index.

Management Action Plan 2.2: A complete tracking and monitoring process for the creation and renewal of Master Standing Offers and Supply Arrangements will be established in the new Contract Management System to help ensure that policies are consistently followed; this system is the replacement for the current Acquisition Buyers Environment (ABE).

Recommendation 3: The Assistant Deputy Minister, Acquisitions Branch, in collaboration with the Regional Directors General, should ensure that key controls such as the Reviewer Endorsement questionnaire, Procurement Complexity Assessment and Procurement Risk Assessment questionnaires are appropriately designed, consistently applied and used in a manner that allows these controls to achieve their objectives. A control system to monitor the expiry of standing offers and supply arrangements should be developed.

Management Action Plan 3.1: Interim and longer term measures will be taken to improve controls to ensure that decisions are appropriately justified, duplication is avoided, socio-economic and other government objectives are considered.

In the interim: A Policy Notice and Fact Sheet will be sent to the procurement community explaining new policy and: i) common errors by PWGSC buyers when creating, renewing and/or extending Standing Offers and Supply Arrangements through posting of information on the Standing Offer Index, and ii) matters relating to required justification and documentation. This communication will guide the appropriate use of key procedural questionnaires: Reviewer Endorsement; Procurement Complexity Assessment; and, Procurement Risk Assessment.

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Management Action Plan 3.2: Consultation with sectors and regions will begin to help identify, review, and validate existing controls and the possible creation of new ones.

Reflecting stakeholder consultation, a Plan will be developed and presented to the Governance Committee for implementation approval. This Plan will implement new structural changes to controls to ensure that i) decisions are appropriately justified, ii) duplication is avoided, iii) socio-economic and other government objectives are considered.

Management Action Plan 3.3: The new Contract Management System will capture information for monitoring. This will inform management that standing offers and supply arrangements decisions are i) appropriately justified, ii) duplication is avoided, iii) socio-economic and other government objectives are considered. This system will also enable iv) monitoring of expiry dates of standing offers and supply arrangements.

Management Action Plan 3.4: The Governance Committee structure will review data on the above (3.3) and on the completeness of the Standing Offer Index information, in accordance with revised departmental policy by reviewing regular reports.

Recommendation 4: The Assistant Deputy Minister, Acquisitions Branch, in collaboration with the Regional Directors General, should ensure that controls over the update and monitoring of the Standing Offer Index are strengthened.

Management Action Plan 4.1: The new Contract Management System will facilitate monitoring and control over the Standing Offer Index. The Governance Committee structure will review regular reports generated by the System to determine the completeness of the Standing Offer Index.

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ABOUT THE AUDIT

Authority

The authority for the conduct of this engagement comes from the Multi-Year Risk-Based Audit and Evaluation Plan which was recommended for approval by the Audit and Evaluation Committee and approved by the Deputy Minister of Public Works and Government Services Canada.

Objective

The objective of this internal audit was to determine whether PWGSC has an effective management control framework over the creation, renewal, and extension of standing offers and supply arrangements.

Scope and Approach

This audit covered the period from October 2011 to May 2012.

The audit focused on the governance, process, and controls related to the creation, renewal, and extension of all types of standing offers and supply arrangements. This objective and scope were selected because it was an area of risk that had not been previously audited or reviewed. Previous audits and reviews conducted by the OAE and the Office of the Auditor General of Canada focused on the utilization of standing offers and supply arrangements, Contract Award, and Contract Administration.

Standing offers and supply arrangements exist for a variety of goods and services. Acquisitions Branch is currently developing national procurement strategies relating to 29 commodities (see Appendix A). Since these strategies were still in development during the course of the audit, these strategies were excluded from the audit scope. The audit focussed on controls existing at the time of the audit examination phase. The finalized national procurement strategies will form part of the scope of a future audit engagement.

During the Examination Phase, in-depth interviews were conducted with key departmental personnel who have been involved in creating, renewing, and/or extending standing offers and supply arrangements. Relevant processes and documentation were examined and tested against the audit criteria. We examined a judgemental sample of 30 standing offers and supply arrangements.

Criteria

The criteria used to assess the management control framework over the creation, renewal, and extension of standing offers and supply arrangements were derived from the Treasury Board

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Management Accountability Framework and PWGSC's Supply Manual, including relevant active Policy Notifications.

The criteria were as follows:

- **Governance:** Acquisitions Branch has an appropriate governance structure in place to effectively manage the creation, renewal, and extension of standing offers and supply arrangements.
- **Process:** Acquisitions Branch has an appropriate process in place for creating, renewing, and extending standing offers and supply arrangements, and this process is followed.
- **Controls:** Acquisitions Branch has appropriate controls in place to effectively mitigate the key risks inherent to the creation, renewal, and extension of standing offers and supply arrangements.

Audit Work Completed

Audit fieldwork for this audit was substantially completed on October 2, 2012.

Audit Team

The audit was conducted by members of the Office of Audit and Evaluation, overseen by the Director Procurement Audit and under the overall direction of the Chief Audit and Evaluation Executive.

The audit was reviewed by the quality assessment function of the Office of Audit and Evaluation.

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APPENDIX A

List of 29 National Procurement Strategy Commodities

Armament
Business Support Services
Civil Engineering Services
Civilian Audio Visual
Clothing and Textiles
Communication Services
Energy
Environmental Remediation
Environmental Services
Food & Beverages **
Fuels/Lubricants
HR & Benefits
Infrastructure
Janitorial Services **
Language Training
Medical Equipment & Supplies
Office Equipment **
Office Furniture
Office Supplies
Print/Publishing/Reproduction
Professional Services **
Research and Development
Telecommunications
Telecommunications & Voice
Temporary Help Services
Training Services
Translation Services
Travel
Vehicles

** Finalized Strategies