

Executive Summary

Federal government contracting represents an area of increasing sensitivity and scrutiny. Government departments and agencies are required to comply with the Treasury Board Secretariat (TBS) *Contracting Policy*. The TBS *Contracting Policy* states that government contracting shall be conducted in a manner that will stand the test of public scrutiny in matters of prudence and probity, facilitate access, encourage competition, and reflect fairness in the spending of public funds.

The Office of the Commissioner for Federal Judicial Affairs (FJA) engaged Audit Services Canada (ASC) to conduct an audit of professional services contracting activities. The objective of this audit was to assess compliance between the FJA professional services contracting processes and TBS contracting policies and procedures. The scope of the audit covered professional service contracts awarded in the 2006-07 fiscal year.

To complete the engagement, ASC used a combination of interviews and documentation review. Key individuals throughout the organization were interviewed to gain an understanding of their roles and responsibilities, with respect to the requisition, selection, approval, payment, monitoring and reporting functions. During the documentation review, 25 contract and associated payment information files were assessed for compliance with key controls within the management control framework.

ASC has conducted this audit in accordance with the internal audit standards for the Government of Canada, as articulated in the Treasury Board *Policy on Internal Audit*. In compliance with this policy, ASC has examined sufficient, relevant evidence and obtained adequate information and explanation to support the accuracy of the conclusions contained in this report. The conclusions were based on a comparison of the situations as they existed at the time of the audit and the audit criteria.

During the engagement, ASC observed strong contracting procedures and controls currently in place at FJA, such as:

- The sample of competitive contract files reviewed contained all relevant documentation and met the key controls defined within the TBS *Contracting Policy*;
- FJA has implemented a contract review process. The Director of Finance and
- Administration reviews all professional service contracts and acts as the challenge function within the Department; and
- For most files reviewed, the appropriate project authority and contractor signed the contracts and payments were properly approved.

Based on our audit findings, FJA's professional services contracting is generally in compliance with the TBS *Contracting Policy*. However, the management control framework could be further strengthened in the following areas:

- A more formalized contract requisition process;
- Better segregation of duties; and
- Increased recording accuracy in the contract register.

Interviews revealed that the contracting process commences when the Finance and Administration Division receives an e-mail from a Responsibility Center Manager. These e-mails may not contain all the necessary information to undertake the contracting process, such as, the method of sourcing, including sole source justification, and contractor proposals. Our review of professional service contracts under \$25,000 revealed that key documents were not consistently on file.

During our review, it was noted that the creation of the commitment in the financial system (Financial Administration Act (FAA) Section 32) and the invoice entry were not consistently segregated from the account verification associated with Section 33 of the FAA. Further, payment procedures, particularly for the account verification process, have not been documented.

Our audit also revealed some inaccuracies within the contract register, which is used when preparing reports for central agencies.

The recommendations to further strengthen the management control framework can be summarized as follows:

The Director, Finance and Administration should ensure that:

- A formal requisition form is developed and implemented;
- There is appropriate segregation of duties between commitment and invoice entry and account verification associated with FAA Section 33; and
- The contract register is periodically reconciled with the signed contracts.