

NRC·CNRC

Audit of professional services contracting

Office of Audit and Evaluation

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Executive summary and conclusion

To aid in delivering its mandate, the National Research Council of Canada (NRC) engages individuals or organizations to meet unexpected fluctuations in workload, to acquire specialized expertise not readily available in the public service, or to fill in for public servants during temporary absences. Professional services are provided by individuals with significant training, qualifications and expertise in a professional, scientific, technical or managerial field. Professional services is a broad category that covers a range of services the government procures to address specific needs related to a particular activity or initiative. These services could include: technical, scientific, or professional expert assistance and advice (such as lawyers, architects, engineers, medical personnel, and management, audit, financial and business consultants); certain health care, welfare and training services; and contracted operational and maintenance services.¹ This listing is not exhaustive and contracting authorities interpret each situation on a case-by-case basis.

At the NRC, professional services accounted for \$72.3 million, or 8.8% of operating expenses in fiscal year (FY) 2021, and \$69.2 million, or 8.6% of operating expenses in FY 2022. The largest consumers of professional services were the National Research Council of Canada Industrial Research Assistance Program (NRC IRAP); Knowledge, Information and Technology Services Branch (KITS); Real Property Planning and Management Branch (RPPM); and the Construction Research Centre (CONST). These 4 stakeholders accounted for 48% of the NRC's total professional service contracting for the period examined. For additional information on professional services expenditures, audit sampling and coverage, refer to [Appendix A](#).

The Finance and Procurement Services Branch (FPS) provides both strategic and process advice in addition to support with the execution of procurement, contract and vendor management. To support procurement at the NRC, for the period examined, FPS was resourced for a compliment of 26 procurement officers and 4 team leads. Procurement officers fulfill the role of the contract authority responsible for conducting procurement on behalf of the NRC by establishing contracts and contractual arrangements. Technical authorities usually support research centres, branches and NRC IRAP. The successful procurement of professional services requires the combination of knowledge, expertise and the effective collaboration of both the contract authority and the technical authority.

We do note that the period examined was a particularly challenging time for FPS due to the off-site workplace posture; high procurement volume levels; and, the transition of information management from paper to electronic formats. The COVID-19 pandemic also resulted in the implementation of additional emergency contracting authorities that were subsequently increased from \$1 million to \$3 million.

The objective of this audit was to provide NRC senior management with independent assurance that the NRC's use of professional services was compliant with the Treasury Board of Canada's Contracting Policy, Directive on the Management of Procurement, Government Contract Regulations, and NRC policies, directives and procedures. Using a risk-based, targeted sampling approach leveraging data analytics, we identified and examined professional services contracts awarded or amended between April 1, 2020 and March 31, 2022. For additional information on professional services expenditures, audit sampling and audit coverage, refer to [Appendix A](#).

It should be noted that risk-based sampling targets areas of elevated risk and thereby increases the likelihood of identifying errors. In addition, the use of targeted sampling precludes the extrapolation of these results to the entire population of NRC professional service contracts. The audit excluded instances where Public Service and Procurement Canada (PSPC) was the contracting authority, and where low value professional services were obtained using acquisition cards.

Audit opinion and conclusion

In my opinion as Chief Audit Executive, the NRC has established procedures and internal controls in support of use of professional services contracting. However, some compliance mechanisms for components of the Treasury Board's Contracting Policy and Directive on the Management of Procurement were not fully developed, documented or consistently applied during the period examined. Opportunities for improvement exist to strengthen governance; information and risk management; and, quality assurance. These recommended improvements will further enhance the effectiveness and management of professional services contracting at the NRC.

Key takeaways

We found that many personnel responsible for the management and administration of professional service contracting possessed significant experience in the function. As well, the implementation of the Service Contract Information Form (SCIF) was identified as a risk management best practice. We also found opportunities for improvement to the internal control environment and governance of professional service contracting.

Specifically, we determined that certain processes, systems and controls comprising the departmental procurement management framework were not functioning effectively. For example, the approvals for 3 of 20 contracts and 6 of 11 contract amendments exceeded spending authority limits. We observed a need to strengthen quality assurance and information management practices with regards to competitive, sole source and emergency contracts; namely retention and sufficiency of documentation. We also found that training and guidance for both business owners (namely technical authorities) and procurement personnel could be strengthened to support more consistent, accurate, and complete discharge of their professional service contracting responsibilities.

Statement of conformance

This audit engagement was conducted in conformance with the Institute on Internal Auditors' International Standards for the Professional Practice of Internal Auditing and Code of Ethics, as supported by the results of the NRC Internal Audit Quality Assurance and Improvement Program.

Alexandra Dagger, CIA, CE, Chief Audit Executive

Acknowledgements

The audit team would like to thank those who collaborated in this effort to highlight the NRC's strengths and opportunities for improvement as they relate to this audit project.

1.0 Introduction

Government of Canada procurement and contracting processes are designed to ensure that goods and services are acquired in a manner that enhances access, competition and fairness to achieve the best value or an optimal balance of overall benefits to the Crown and the Canadian people². Contracting for professional services has been widely accepted as an effective way to meet unexpected fluctuations in workload, to acquire specialized expertise not readily available in the public service, or to fill in for public servants during temporary absences. Professional services are provided by individuals with significant training, qualifications and expertise in a professional, scientific, technical or managerial field. These services could include:

- technical, scientific or professional expert assistance and advice. For example:
 - lawyers
 - architects
 - engineers
 - medical personnel
 - management, audit, financial and business consultants
- certain health care, welfare and training services
- contracted operational and maintenance services¹

This listing is not exhaustive; contracting and technical authorities interpret the needs of each situation on a case-by-case basis. The *Public Service Employment Act* also provides different mechanisms to address short-term and specialized needs.

Procurement of professional services in the federal public sector is governed by a suite of legislation, policies, regulations, and directives established by central agencies. Benefits to contracting for professional services include:

- an expedient and agile means of procuring the services of experienced professionals
- limited obligations in comparison to hiring indeterminate resources
- accessing expertise which may not be readily available within the organization

2.0 Background

Professional services are categorized into 17 operational areas. For the 2 fiscal years examined, 5 operational areas accounted for 77% of all professional services expenditures.

Operational area	Fiscal year 2021	Fiscal year 2022	Total expenditures	% of total expenditures
Construction contracting	17,053,412	16,256,725	33,310,137	24%
Other business services	12,043,118	12,662,776	24,705,894	18%
Scientific services	10,550,367	9,002,875	19,553,242	14%
IT services and consulting	8,628,441	8,863,932	17,492,373	13%
Engineering services and consulting	7,177,848	5,157,530	12,335,378	9%

The Finance and Procurement Services Branch (FPS) provides both strategic and process advice in addition to support with the execution of procurement, contract and vendor management. To support procurement at the NRC, for the period examined FPS was resourced for a compliment of 26 procurement officers and 4 team leads.

Procurement officers within FPS fulfill the role of the contract authority responsible for conducting procurement on behalf of the NRC by establishing contracts and contractual arrangements. Technical authorities are NRC personnel responsible for the business or program areas for which professional services are required. Technical authorities usually support research centres, branches and NRC IRAP. Successful procurement of professional services requires the combination of knowledge, expertise and the effective collaboration of both the contract authority and the technical authority. As such, FPS is not solely responsible for all aspects of the professional services contracting process. The Treasury Board of Canada Secretariat (TBS) Directive on the Management of Procurement stipulates the roles and responsibilities of technical authorities as follows:

Steps within the professional services contracting process	Role of technical authority
Engage with contracting authority at the outset to clearly define the intended outcomes of the procurement.	Responsible
Drafting the statement of work (SOW) and technical evaluation criteria, and evaluating bid submissions against the evaluation criteria.	Responsible
Working with the contracting authority during the procurement process to provide advice, support and oversight related to the specifications and expertise required.	Consulted
Adhering to the Values and Ethics Code for the Public Sector and the Directive on Conflict of Interest in dealings with suppliers and vendors.	Responsible
In collaboration with contracting authorities, monitoring the delivery of the procurement by ensuring the contractor fulfills its responsibilities under the contract and identified tasks in the SOW, and supporting any related reporting requirements.	Consulted

We do note that the period examined was a particularly challenging time for FPS due to the off-site workplace posture, high procurement volume levels, and the transition of information management from paper to electronic formats. The COVID-19 pandemic also resulted in the implementation of additional emergency contracting authorities that were subsequently increased from \$1 million to \$3 million.

Importance of the audit

Professional service contracting within the NRC accounted for \$72.3 million, or 8.8% of operating expenses in FY 2021, and \$69.2 million, or 8.6% of operating expenses in FY 2022. These expenditures require governance and internal controls to effectively mitigate identified risks in alignment with the organization's risk tolerance. The Treasury Board's policies and directives provide the direction for implementing an effective control environment necessary for achieving this objective.

3.0 About the audit

The audit was included in the NRC's 2022-2023 risk-based audit plan, approved by the President on June 30, 2022. This audit was conducted by the NRC's Office of Audit and Evaluation (OAE).

Objective

The objective of this audit was to provide assurance that the NRC's use of professional service contracted resources was in compliance with the Treasury Board's Contracting Policy, Directive on the Management of Procurement, government contract regulations, and the NRC's policies, directives and procedures.

Scope

The audit scope included contracts and amendments for professional services contracts awarded between April 1, 2020 and March 31, 2022.

The audit excluded instances where Public Service and Procurement Canada (PSPC) was the contracting authority, and where low dollar value professional services were acquired by acquisition cards.

Approach and methodology

The audit was conducted in accordance with the Institute of Internal Auditors (IIA) Standards and the Internal Auditing Standards for the Government of Canada, as required by the Treasury Board's Policy on Internal Audit.

Audit procedures included:

- a review of relevant documentation including framework documents, policies, directives, guidance, reports, and training materials
- identification and review of key business processes and procedures
- interviews with key stakeholders
- questionnaires distributed to 50 technical authorities (35% response rate) and 31 contracting authorities (68% response rate)
- substantive testing of 20 professional services contracts and 11 amendments, including all available supporting documentation consisting of up to 22 different document types depending on the complexity of the contract and amendment (see [Appendix A](#) for additional information)

Risk-based audit procedures and tests assessed the NRC's processes against legislative requirements and other Government of Canada directives. These included the:

- *Financial Administration Act* (FAA)
- Treasury Board of Canada Secretariat's (TBS) Contracting Policy (rescinded May 13, 2021)
- TBS Directive on the Management of Procurement (replaced the rescinded Contracting Policy as of May 13, 2021)³.
- TBS Directive on Delegation of Spending and Financial Authorities
- TBS Directive on Conflict of Interest
- Government Contracts Regulations including Emergency Contracting Limits in response to the COVID-19 pandemic

A risk-based sampling strategy, leveraging data analytics, was used to perform targeted sampling of high-risk professional services contracts. The following characteristics were considered when determining the risk ranking of contracts awarded in FY 2021 and FY 2022:

- contracts awarded for research centres, branches or NRC IRAP with the highest utilization of professional services contracting
- most frequently contracted service providers based on number of contracts and aggregate dollar value
- contracts that contained a high number of amendments
- contracts with high percentage variances between original contract value and final amended value

In comparison to a random sampling approach, risk-based sampling specifically targets areas of elevated risk and therefore increases the likelihood of identifying errors. It should be noted

that the use of targeted sampling precludes the extrapolation of these results to the entire population of NRC professional service contracts.

4.0 Audit findings and recommendations

Each section below provides a summary of findings supported by detailed observations, a description of the risk and impact, and recommendations for improvement.

4.1 Governance and oversight

Summary finding

The Treasury Board's Directive on the Management of Procurement came into force in the second year of the audit period. At the time of the audit, the NRC had yet to implement some components of a departmental procurement management framework as required. Due to the scope period of the examination and the timing of the approval of the framework, the audit was unable to determine the sufficiency or effectiveness of its implementation.

We also found that the Contract Review Committee was not fulfilling its responsibilities as defined within the committee terms of reference. Information management practices were inconsistent. Consequently, in some instances key documentation justifying procurement decisions was missing from the contracting files, including evidence of CRC review and approval of proposed contract awards. Implementing a quality control program would be an effective means of fostering continuous improvement, furthering efficiencies and strengthening the effectiveness of professional services contracting.

We set out to determine if effective governance and oversight had been established in support of professional services contract management. The components of governance and oversight for professional services contracting are contained within the Treasury Board's policy suite. This includes the Contracting Policy, the Directive on the Management of Procurement, and the Directive on Delegation of Spending and Financial Authorities. It should be noted that the Directive on the Management of Procurement replaced the Treasury Board's Contracting Policy effective May 13, 2021, part way through the examination period of this audit. Therefore, compliance requirements for NRC's professional services contracting activities for the period examined spanned both the policy and the new directive.

As stipulated in Treasury Board's Contracting Policy⁴, we expected to find that management control frameworks for due diligence and effective stewardship of public funds were in place and working as intended during the period examined⁵. In addition, as stated in NRC's Contract Review Committee (CRC) terms of reference, we also expected to find that the committee was reviewing and challenging proposed contract awards and ensuring that contracting policies were followed, that prudence and probity was exercised, and that the contracting process was open, fair and competitive. And lastly, we expected that a quality

assurance process would be in place whereby contract files were reviewed to identify potential issues and ensure that documentation justifying procurement decisions was retained on file as required.

What we found

We found that compliance mechanisms for certain components of the Treasury Board's Contracting Policy and Directive on the Management of Procurement were not fully developed, documented or consistently applied. In addition, we identified opportunities for improvement in the documentation of standard operating procedures, guidelines and the provision of NRC specific training materials. These tools would assist purchasing officers in carrying out their duties accurately, completely and in compliance with the Treasury Board's policies and directives. These tools would also ensure technical authority roles, responsibilities and accountabilities would be clearly defined, documented and communicated along with management's expectations and desired outcomes.

Compliance to Treasury Board's Directive on the Management of Procurement

Effective from May 13, 2021 onwards, the Directive on the Management of Procurement requires that senior designated officials for the management of procurement be responsible for establishing, implementing, and maintaining a departmental procurement management framework consisting of systems, processes and controls⁶. Key components and functions of the framework include:

- oversight, planning and reporting mechanisms
- clearly defined roles, responsibilities and accountabilities for the various governance committees involved
- incorporating performance results, lessons learned and best practices to inform procurement decision-making
- maintaining the integrity of the procurement processes

During the period examined, from May 13, 2021 to March 31, 2022, a formal framework with the above noted components had not been documented and fully implemented. However, it was noted that in 2022, FPS was in the process of drafting a procurement management framework. This framework received approval by the Director General, Finance and Procurement Services in March 2023. Due to the scope period of the examination and the timing of the approval, the audit was unable to determine the sufficiency of the framework or the effectiveness of its implementation.

Compliance to Treasury Board's Contracting Policy

For the period under examination, we noted that the CRC had not been functioning as intended; that is, as per its terms of reference. Contracts that would normally require CRC review that we examined were either routed to the Director, Procurement Services for

approval, approved by a manager, approved by a procurement officer, or found to have no evidence of CRC review when required.

As a result, professional services contracting processes examined during the course of this audit were found to be non-compliant to Treasury Board's Contracting Policy. The policy required that decisions made by review and oversight bodies be recorded and available for subsequent review.⁷ However, we do note that the new Treasury Board directive does not require records of decision to originate from review and oversight bodies. Instead, it stipulates they be created and maintained. These records may consist of individual assessments, consensus evaluation, relevant decisions, approvals, communications and dates.

Compliance to the Contract Review Committee terms of reference

Contracts and contract amendments requiring CRC review were set out within the CRC terms of reference and represented contracts that may pose an elevated risk to the NRC. These included contracts that:

- exceeded predetermined financial thresholds by contract type and professional service provided
- were proposed through the use of emergency contract authorities
- exhibited an elevated risk of developing an employee-employer relationship
- contracts with former public servants in receipt of a pension over \$50,000

Using a risk-based sampling approach, our intention was to focus on contracts representing an elevated risk to the NRC. As a result, 15 of the 20 samples selected for our examination qualified for a review by NRC's CRC, as stipulated by the CRC's terms of reference. However, none of the contract files examined contained documented evidence of a review by the CRC. Additionally, we observed that not all files examined contained documentation justifying procurement decisions. We also noted inconsistencies in the level and types of documentation retained within contracting files examined.

Table 1. Summary of available key documentation in support of professional services contracting decisions for 20 contracting files examined, which demonstrates that 61% of the key supporting documents were missing.

Document type	Subset of 20 samples where testing was applicable	Included documents	Missing documents
Bids received and their respective evaluations	10	3	7
Documentation related to directed contract justification	8	3	5

Document type	Subset of 20 samples where testing was applicable	Included documents	Missing documents
CRC records of decision and meeting minutes as per the CRC terms of reference	15	0	15
Signed contract or articles of agreement	20	15	5
Signed contract amendments	11	4	7
Total tests	64	25	39

We also found that a formal annual report identifying contracts reviewed and the records of decision of the CRC for the Director General, Finance and Procurement Services (FPS) was not produced during the period examined, nor were FPS personnel aware of the existence of any prior reports. This annual report is mandated in the CRC terms of reference. Lastly, we observed that data analytics was not being performed consistently by the policy and monitoring team within FPS, nor was such analysis used for the sampling and testing of awarded contracts as prescribed by the CRC terms of reference.

We do note that the period examined was a particularly challenging time for FPS due to the off-site workplace posture; high procurement volume levels; the transition of information management from paper to electronic formats; and the implementation of emergency contracting authorities. Specifically, we note that in April 2020 there were no managers of procurement in place. A manager joined the NRC in January 2021 and then left in December 2021, which resulted in the position being vacant from January 2022 to May 2022. The position was filled again in May 2022 and another manager joined the NRC in June 2023.

These observations identify a need to imbed monitoring and reporting processes within an NRC procurement management framework. Specifically, we found a lack of proactive and consistent review; analysis, and reporting related to high-risk transactions. This indicated that the measurement and monitoring of risks within professional services contracting was not functioning as required by the CRC terms of reference.

Recommendations

1. The Vice-President, Corporate Services, should:
 - a. Ensure that the NRC's recently approved procurement management framework meets the needs of the NRC, is formally implemented as intended and, that related activities are monitored for quality and compliance with the framework, as well as with the Treasury Board's policies and directives.
 - b. On an ongoing basis, ensure that the Contract Review Committee is fulfilling its mandate as per its terms of reference, and providing active guidance and oversight of professional services contracting activities.

2. The Vice-President, Corporate Services, should:
 - a. Ensure that documentation and justification supporting professional services contracting decisions is maintained in all procurement files.
 - b. Develop and implement a quality assurance program to ensure reviews are completed on a timely basis at both the pre and post award stage of the professional services contracting process. Findings from this program should be used to inform training, procedural, and guidance improvements.

4.2 Spending authorities

Summary finding

Roles, responsibilities, and accountabilities for professional services contracting were not sufficiently documented to support compliance with the NRC's Spending and Financial Signing Authorities Chart (FSA). Position titles were not aligned with the FSA. We determined that in a number of instances contract awards and amendments were not compliant with the spending authority limits within the FSA.

We expected to find clearly defined and documented roles and responsibilities to provide guidance to both contracting authorities and technical authorities in the discharge of their duties during the period examined.⁸ This would include standard operating procedures and corresponding spending authority limits applicable to all positions responsible for professional services contracting. We expected that specific guidance would be tailored for the full range of available procurement vehicles.

What we found

The *Public Works and Government Services Act* permits the sub-delegation of spending and financial authorities to deputy heads and other positions within the NRC. The Delegation of Spending and Financial Signing Authorities Chart (FSA) is the approved document that assigns spending and financial delegations by position title. Operationally, the procurement team assigns spending authority limits by both employee classification level and position title. However, we found that the position titles of procurement personnel did not align with those stated within the FSA.

Furthermore, when the FSA was updated in February 2021, revisions were made to position titles. However, the position titles of procurement personnel as well as those listed on the CRC checklists remained unchanged. As a result, spending authority limits stipulated by procurement position titles continued to be misaligned with the FSA. These discrepancies could result in procurement personnel inadvertently exceeding their spending authority limits when approving contracts. Furthermore, such discrepancies create additional challenges when ascertaining compliance through quality assurance activities. Of the 20 contracts examined, including 11 with subsequent amendments, there were 9 instances where contracting authorities exceeded their spending authority limit (see **Table 2** below).

Table 2. Summary of sampled professional services contracts and contract amendment testing results for the appropriate level of delegated spending authority.

Sample type	Number of samples tested	Approved by proper delegated spending authority	Not approved by proper delegated spending authority
Contracts	20	17	3
Contracts with amendments	11	5	6

In one instance, we observed a contract that exceeded the NRC's delegated authority for non-competitive Architectural and Engineering Services. As per TBS policies and directives, architectural and engineering services are a specialized service with a specified delegated spending authority limit of \$60,000 for non-competitive processes.⁹ We observed that the initial approval of the contract was granted by the Director, Procurement Services, noting specifically in the file the \$60,000 limit, and that any and all amendments to the contract must remain below this limit.

Despite this, the contract was amended resulting in the total value exceeding the limit by \$1,638. We did not observe that an approval was sought to allow for an exception, nor did we observe any review of the amendment¹⁰ by the CRC in order to ensure compliance with spending authority limits. Additionally, we found that the financial classification coding for this contract was incorrect. It was classified as "Scientific Services" rather than "Architectural or Engineering Services" as it should have been. It should be noted that there was no indication that this error was intentional in nature. As a result, we found that additional oversight would ensure financial coding accurately reflects the nature of the expenditure.

Recommendation

3. The Vice-President, Corporate Services should:

- a. Ensure that all positions responsible for professional services contracting have clearly defined spending authority limits in compliance with the Spending and Financial Signing Authority Chart (FSA).
- b. Ensure delegated spending authority limits are understood by all stakeholders participating in the contracting of professional services; and that FSA compliance verification and the accuracy of financial coding is included within the recommended quality assurance program (see recommendation 2.b)

4.3 Risk management

Summary finding

We found that many NRC procurement personnel possessed substantial experience in the administration of professional services contracting. We also found that the use of the Service Contract Information Form (SCIF) by NRC procurement staff was identified as a best practice in the administration of professional services contracting at the NRC.

However, the SCIF was not always retained on contract files when required. Opportunities exist for an enhancement of risk management practices including the development of a formal, documented risk management approach. This should support the identification, mitigation and management of the full range of risks associated with professional services contracting.

We set out to determine if a risk management approach was in place that supports contract management in compliance with Government of Canada and NRC policies and directives. The foundational components of risk management for professional services contracting are contained within the Treasury Board's Framework for the Management of Risk. The principles within the framework are applicable to all of the Treasury Board policies including the Contracting Policy which was replaced by the Directive on the Management of Procurement in May 2021.

As part of the objectives set out within the directive, procurement decisions are to be based on risk management practices, performance information, and an assessment of full life-cycle costs whenever possible. We expected to find a comprehensive risk management approach comprised of training, guidance and tools to appropriately identify, document and mitigate risks related to professional services contracting. These would include the risk of employee–employer relationships; the risk of real or apparent conflicts of interest; fraud risk; and compliance risk.

What we found

We noted that many personnel responsible for administering professional service contracting possess significant experience in the function. However, the informal training and guidance in place for risk management necessitated a greater reliance on individual procurement officers' experience and knowledge to identify, escalate, and mitigate risks. This reliance created gaps in the identification and mitigation of risks, as experience and knowledge vary among procurement officers. We also noted, as this approach is dependent upon a high retention level among the procurement team, the NRC's risk exposure may increase during times of elevated rates of staff attrition.

We found that the use of the Service Contract Information Form (SCIF) by NRC procurement staff was identified as a best practice by the Office of the Procurement Ombudsman in the administration of professional services contracting at the NRC. The SCIF contains sections for the identification and mitigation of employee–employer relationships and conflicts of interest.

However, the conflict-of-interest component of the SCIF is limited to the identification of former public servants in receipt of a pension. Conflict of Interest considerations are also a component of the Technical Evaluation Team form used to evaluate proposals received from prospective professional service providers and bidders. This document is completed by potential evaluators certifying they have reviewed the bidders' technical proposal and have determined that they will not be conflicted by serving on the evaluation team.

Out of the 20 files examined, 2 contained characteristics that increased the risk of developing an employer–employee relationship. For example, in one of the files, we noted that a resource added to the contract on amendment had been under contract for multiple years with documentation indicating plans to retain them longer. We also noted invoices in our financial system showing their hours as 7.5 hours per day, 5 days a week, in FY 2021. In addition, we observed supporting documentation discussing moving their contract between budgets, and planning projects around this individual's expertise and continuous availability.

For context, it is important to understand that when a person is hired to be an employee, the person enters into a contract of service, which is an employer–employee relationship. Another type of contract between 2 parties is that of an independent contractor or a contract for service. This type of contract may be defined as a contract by which a person, contractor or service provider makes a commitment to another person, the client, to carry out material or intellectual work or provide a service for a price or fee. The characteristics of a contract for service are that the contractor is free to choose the means of performing the contract, and no relationship of subordination exists between the contractor or the provider of services and the client in respect of such performance.

With regards to conflict of interest, we observed strong indications of a real or apparent conflict of interest that was not identified and disclosed in 2 files examined. In one instance, upon request from the audit team, NRC's Senior Ethics Officer examined our observations and supporting documentation for 1 of the 2 files noted above and concluded that it presented an apparent conflict of interest.

The conflict resided in the fact that a reasonable third party could perceive that an individual responsible for evaluating bid submissions for the selection of a consultant, who was also a reference for a consultant in one of the bid proposals under consideration, constituted preferential treatment. We observed that the conflict was not declared and was only noted when we examined the contract file. This apparent conflict could have been mitigated had the conflict been identified and the employee recused themselves from the assessment committee.

Recommendations

4. The Vice-President, Corporate Services, should ensure the development and implementation of a comprehensive risk management approach for the management of professional services contracting.
5. The Vice-President, Corporate Services, should ensure procurement officers and technical authorities receive sufficient training, guidance, and tools, such as risk registries, to support effective identification and mitigation of potential risks within proposed professional services contracts.

4.4 Training and guidance

Summary finding

Contracting authorities are provided with online training modules administered by the Canada School of Public Service (CSPS) and PSPC. However, these training products are not tailored to NRC specific processes and procedures. We found, in a number of cases, that technical authorities responsible for professional service contracting were unaware of available CSPS training modules.

Additionally, we did not find resources or guidance that reflect internal processes. NRC specific training and reference materials would assist both contracting and technical authorities in the consistent, accurate, and complete discharge of their professional service contracting responsibilities.

We set out to determine if sufficient training and guidance were in place for both contracting and technical authorities to support them in fulfilling their duties when contracting for professional services. The Directive on the Management of Procurement tasks senior officials responsible for procurement with:

- Identifying and addressing the department's needs with respect to the necessary competencies, capacity and professional development in procurement management.

We expected to find an established framework consisting of training, procedures, guidance, and other supporting materials that were readily available and in use to support a uniform approach to professional service contracting. These would include:

- government wide training provided by the Canada School of Public Service (CSPS)
- NRC learning materials reflective of the organization's specific operating environment
- detailed guides and operating procedures for both technical and contracting authorities
- comprehensive checklists for professional services contracting files

What we found

Contracting authorities are provided with online training modules administered by CSPA and PSPC. The content of these training products is general in nature and is provided on a government wide basis. As a result, they do not address organizationally specific processes and procedures. In addition to the online training, newly appointed contract authorities are assigned an experienced colleague to job shadow in order to learn NRC specific procedural components of their role. In this model, it is incumbent on the trainee to seek out this specific guidance and information when needed.

We found, that a number technical authorities, who were not finance and procurement personnel, were unaware of the available training for professional service contracting offered through CSPA. We also found limited evidence of resources or guidance reflective of internal processes and procedures. These findings identify the need to strengthen awareness of existing training resources among technical authorities responsible for professional service contracting and to develop additional resources to aid in the effective discharge of their responsibilities.

The provision of sufficient and timely NRC specific training, procedures, guidance, and other supporting materials are prerequisites for consistent, effective process management. Without these, the professional services contracting process is vulnerable to a variety of risks that could otherwise be mitigated. Both contracting and technical authorities require these resources to enable the consistent, efficient, accurate, and complete discharge of their responsibilities.

Recommendation

6. The Vice-President, Corporate Services should:
 - a. Ensure that the availability of existing internal and external training and guidance is effectively communicated to technical authorities on a periodic basis, including at the beginning of professional services contracting processes.
 - b. Ensure that training and guidance be designed and implemented in compliance with government policies and directives. These training materials and resources should inform both contract and technical authorities as to the correct, consistent and complete process for discharging their responsibilities when contracting for professional services.

Appendix A: expenditure classifications and audit coverage

From the departmental financial records, we identified a sample population of approximately \$140 million of professional services expenditures from FY 2021 and FY 2022. These expenditures were categorized into the following 17 operational areas:

Operational area	Fiscal year 2021	Fiscal year 2022	Total expenditures
Construction contracting	17,053,412	16,256,725	33,310,137
Other business services	12,043,118	12,662,776	24,705,894
Scientific services	10,550,367	9,002,875	19,553,242
IT services and consulting	8,628,441	8,863,932	17,492,373
Engineering services and consulting	7,177,848	5,157,530	12,335,378
Protection services	3,863,085	4,228,864	8,091,949
Management consultants	1,275,462	3,497,246	4,772,708
Research contracting	1,354,580	3,186,311	4,540,891
Building cleaning services	1,446,464	1,343,374	2,789,837
Training, education and conferences	1,434,862	1,188,785	2,623,646
Accounting and audit services	1,192,958	1,172,072	2,365,030
Health services	188,314	1,786,556	1,974,871
Decontamination and maintenance of sites	779,180	928,698	1,707,878
Translation services	736,228	771,189	1,507,417
Temporary help services	491,247	534,220	1,025,467
Waste disposal	360,121	309,012	669,133
Architectural services	82,230	44,049	126,280
Legal, patent and copyright services	2,444	-	2,444
Total	68,660,362	70,934,213	139,594,575

Using risk-based, targeted sampling we examined expenditures from 20 professional services contracts totalling approximately \$14.5 million. The following characteristics were considered when determining the risk ranking for selecting contracts:

- contracts awarded for research centres, branches or NRC IRAP with the highest utilization of professional services contracting
- most frequently contracted service providers based on number of contracts and aggregate dollar value
- contracts that contained a high number of amendments
- contracts with high percentage variances between original contract value and final amended value

Attributes of the 20 contracts examined are as follows:

Operational area	Number of contracts examined	Total value
Accounting and audit services	1	73,450
Engineering services and consulting	1	40,000
Construction services	7	9,706,852
Scientific services	4	176,388
IT services and consulting	2	4,124,595
Other business services	4	408,227
Temporary help services	1	46,341
Total	20	14,575,853

Procurement method	Number of contracts examined
Emergency contracting	1
Request for proposal	10
Sole source	6
Standing offer	3
Total	20

Appendix B: audit criteria

The following criteria were used to evaluate the establishment and use of professional services contracts at the NRC:

Line of enquiry 1: governance structures have been established that support contract management

- 1.1 A policy suite and framework are in place that aligns with legislative and policy requirements and NRC priorities.
- 1.2 Roles, responsibilities and accountabilities for the procurement of professional services are defined, communicated, and understood.
- 1.3 Oversight and monitoring processes are in place, functioning as intended and supported by adequate and timely information.

Line of enquiry 2: risk management processes have been established to support contract management

- 2.1 A risk management approach is in place to ensure uniformity in identifying and mitigating risks.
- 2.2 Professional service contract decisions are supported by analysis of costs, benefits, and risks.
- 2.3 Technical and contracting authorities ensure an employee–employer relationship does not result with contracted service providers.
- 2.4 Transfer of knowledge from contractors is considered when contracting for professional services.
- 2.5 Controls are in place to identify potential conflicts of interest, and where they are determined to exist, risks are effectively mitigated.

Line of enquiry 3: resources are in place to support professional services contracting

- 3.1 Relevant stakeholders are provided with the necessary training, tools and guidelines to support their professional contract management responsibilities.
- 3.2 Procedures, checklists, guides and other supporting documentation are readily available and in use to ensure a uniform approach to contracting for professional services.

Appendix C: management action plan

Definition of priority of recommendations

High: Implementation is recommended within 6 months to reduce the risk of potential high likelihood and high impact events that may adversely affect the integrity of the NRC's governance, risk management and control processes.

Moderate: Implementation is recommended within 1 year to reduce the risk of potential events that may adversely affect the integrity of the NRC's governance, risk management and control processes.

Low: Implementation is recommended within 1 year to adopt best practices and strengthen the integrity of the NRC's governance, risk management and control processes.

Recommendation	Management action plan	Expected implementation date and responsible NRC contact
<p>The Vice-President, Corporate Services, should:</p> <p>Ensure that the NRC's recently approved procurement management framework meets the needs of the NRC, is formally implemented as intended and, that related activities are monitored for quality, and compliance with the framework as well as with the Treasury Board's policies and directives.</p> <p>Priority: moderate</p> <p>On an ongoing basis, ensure that the Contract Review Committee is fulfilling its mandate as per its terms of reference, and</p>	<p>As part of its procurement readiness action plan, FPS established a formal monitoring framework, strategy and approach with the objective of monitoring the NRC's procurement management framework requirements, including the mandate of the CRC in November 2023. Execution of the planned monitoring activities is ongoing.</p>	<p>Completed by Director, Procurement Services</p>

Recommendation	Management action plan	Expected implementation date and responsible NRC contact
<p>providing active guidance and oversight of professional services contracting activities.</p> <p>Priority: high</p>		
<p>The Vice-President, Corporate Services, should:</p> <p>Ensure that documentation and justification supporting professional services contracting decisions is maintained in all procurement files.</p> <p>Priority: high</p> <p>Develop and implement a quality assurance program to ensure reviews are completed on a timely basis at both the pre and post award stage of the professional services contracting process. Findings from this program should be used to inform training, procedural, and guidance improvements.</p> <p>Priority: moderate</p>	<p>The structure within the official NRC document repository was setup along with the procedures and training to procurement officers in May 2020. Procurement officers have expressed challenges with using the official NRC document repository. An exercise is currently in progress to lean and update the document libraries and metadata to make it more user friendly. Procedures and training were launched to all procurement officers in October 2023.</p> <p>Updated procurement templates and quality assurance measures were implemented in June with the Contract advance approval (CAA) form in May 2023.</p> <p>Technical authority guides and templates were reviewed, updated and started being shared in September 2023. Training sessions with technical authorities were launched in November 2023 and are ongoing.</p>	<p>Completed by Director, Procurement Services</p>

Recommendation	Management action plan	Expected implementation date and responsible NRC contact
	Formalized monitoring framework, strategy and approach were formalized in November 2023. Execution of the planned monitoring activities is ongoing.	
<p>The Vice-President, Corporate Services, should:</p> <p>Ensure that all positions responsible for professional services contracting have clearly defined spending authority limits in compliance with the Departmental Delegation of Spending and Financial Signing Authorities Chart.</p> <p>Priority: high</p> <p>Ensure delegated spending authority limits are understood by all stakeholders participating in the contracting of professional services; and, that FSA compliance verification and the accuracy of financial coding is included within the recommended quality assurance program (see recommendation 2.b).</p> <p>Priority: high</p>	<p>The roles, responsibilities and contracting limits are clearly outlined in the approved procurement management framework.</p> <p>The roles, responsibilities and contracting limits outlined in the approved procurement management framework were shared and explained to all procurement officers with delegated contracting authority on April 26, 2023.</p>	Completed by Director, Procurement Services
The Vice-President, Corporate Services, should ensure the development and implementation of a comprehensive risk	The formalized monitoring framework, strategy and approach documents that were formalized include a comprehensive	Completed by Director, Procurement Services

Recommendation	Management action plan	Expected implementation date and responsible NRC contact
<p>management approach for the management of professional services contracting.</p> <p>Priority: moderate</p>	<p>risk management approach for all procurement activities.</p>	
<p>The Vice-President, Corporate Services, should ensure procurement officers and technical authorities receive sufficient training, guidance, and tools, such as risk registries, to support effective identification and mitigation of potential risks within proposed professional services contracts.</p> <p>Priority: moderate</p>	<p>A robust training framework and program for contract authorities has been developed and was launched by modules in September 2023 to all procurement officers. Updated forms, guides and tools for technical authorities have been developed and are shared by procurement officers. Training sessions with technical authorities were launched in November 2023 and are ongoing.</p>	<p>Completed by Director, Procurement Services</p>
<p>The Vice-President, Corporate Services should:</p> <p>Ensure that the availability of existing training and guidance is effectively communicated to technical authorities on a periodic basis, including at the beginning of professional services contracting processes.</p> <p>Priority: moderate</p> <p>Ensure that training and guidance be designed and implemented in compliance</p>	<p>Refer to response under recommendation 5.</p>	<p>Refer to response under recommendation 5.</p>

Recommendation	Management action plan	Expected implementation date and responsible NRC contact
<p>with government policies and directives. These training materials and resources should inform both contract and technical authorities as to the correct, consistent and complete process for discharging their responsibilities when contracting for professional services.</p> <p>Priority: moderate</p>		

¹ [Manager's Guide: Key Considerations When Procuring Professional Services, Treasury Board of Canada Secretariat](#)

² The Treasury Board [Contracting Policy](#)

³ The new directive has similar requirements to the policy it replaced. Therefore, compliance with the policy corresponds with continued compliance in the new directive.

⁴ In force until May 31, 2021.

⁵ The audit scope included contracts and amendments for Professional Services Contracts awarded between April 1, 2020 and March 31, 2022.

⁶ [Directive on the Management of Procurement](#) section 4.1.1

⁷ [Contracting Policy](#) section 11.1

⁸ The audit scope included contracts and amendments for Professional Services Contracts awarded between April 1, 2020 and March 31, 2022.

⁹ The Treasury Board [Directive on the Management of Procurement](#) Appendix A: Contracting Approvals

¹⁰ The Treasury Board [Directive on the Management of Procurement](#) section 4.6.1