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Report of the  
**Auditor General  
of Canada**  
to the House of Commons

NOVEMBER

**Chapter 5**  
Relocating Members of the Canadian Forces,  
RCMP, and Federal Public Service



Office of the Auditor General of Canada

*The November 2006 Report of the Auditor General of Canada comprises Matters of Special Importance—2006, Main Points—Chapters 1 to 12, Appendices, An Overview of the Federal Government's Expenditure Management System, and 12 chapters. The main table of contents is found at the end of this publication.*

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Chapter

# 5

Relocating Members of the Canadian  
Forces, RCMP, and Federal Public  
Service

*All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by the Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.*

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# Relocating Members of the Canadian Forces, RCMP, and Federal Public Service

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## Main Points

### What we examined

The Integrated Relocation Program was designed to improve the quality of life of transferred members of the Canadian Forces, the RCMP, and the federal public service. It does this by providing flexible relocation benefits and reimbursing reasonable relocation expenses. We examined how the government awarded the current contracts. We looked at each stage of the process to determine whether government contracting policies and regulations had been respected. We also examined the extent to which the Treasury Board Secretariat and the departments involved had established appropriate measures of the contracts' performance.

While this chapter includes the names of various contractors, it must be noted that our conclusions about management practices and actions refer only to those of government departments. The rules and regulations we refer to are those that apply to public servants; they do not apply to contractors. We did not audit the records of the private sector contractors. Consequently, our conclusions cannot and do not pertain to any practices that contractors followed. We did not assess individual expense claims made by relocated employees or activities related to the moving of household goods.

We conducted our audit in response to a November 2005 request by the Public Accounts Committee.

### Why it's important

The relocation program handles about 15,000 relocations a year across the government, the RCMP, and the Canadian Forces, at a cost of about \$272 million in 2005.

The government has said that the purpose of the relocation program is to improve the quality of life for transferred employees and reduce the detrimental effects of relocation on departmental operations. Knowing how to gauge the program's success at meeting these goals is important for the government in a contract of this size. Ensuring that the public servants involved in awarding the contract have diligently followed the rules and applied the principles of fairness and transparency is vital to the credibility of the government's procurement process.

**What we found**

- We have concluded for two reasons that the contracts were not tendered in a fair and equitable manner. First, some of the business volumes incorporated into the request for proposal by the Treasury Board Secretariat, the Canadian Forces, and the RCMP contained materially incorrect information. Second, although PWGSC followed its established processes, these steps were not sufficient—particularly when concerns had been raised—to offset an unfair advantage the incumbent bidder had attained through its work on a prior contract and to ensure that all bidders in the tendering process had access to correct and complete information.
- Except for an inappropriate comparison of bids during the evaluation process, the evaluation of the technical portion of the bids was conducted in accordance with the Treasury Board Contracting Policy.
- Neither the Treasury Board Secretariat nor departments have developed performance measures to demonstrate whether the Integrated Relocation Program is achieving its objectives or has realized any cost savings.
- National Defence has not established adequate controls to ensure that amounts reimbursed to the contractor for relocation services provided to transferred Canadian Forces members represent valid payments and are consistent with the relocation policy.
- Members of the Canadian Forces have been charged amounts for property management services in excess of rates established in the contract.

**The Treasury Board Secretariat and the departments have responded.** The Treasury Board Secretariat, the RCMP, National Defence (Canadian Forces), and Public Works and Government Services Canada have agreed with our recommendations. Their detailed responses follow the recommendations in the chapter.

## Introduction

### The Integrated Relocation Program

**5.1** The objective of the Integrated Relocation Program is to provide a full range of relocation services to members of the Canadian Forces and Royal Canadian Mounted Police (RCMP) and other federal employees in the most efficient and flexible manner, at the most reasonable cost to the government, and with the least disruption to departmental operations.

**5.2** The Integrated Relocation Program began as a pilot program in April 1999 and became a permanent program in June 2002 for the Canadian Forces, the RCMP, and parts of the federal public service.

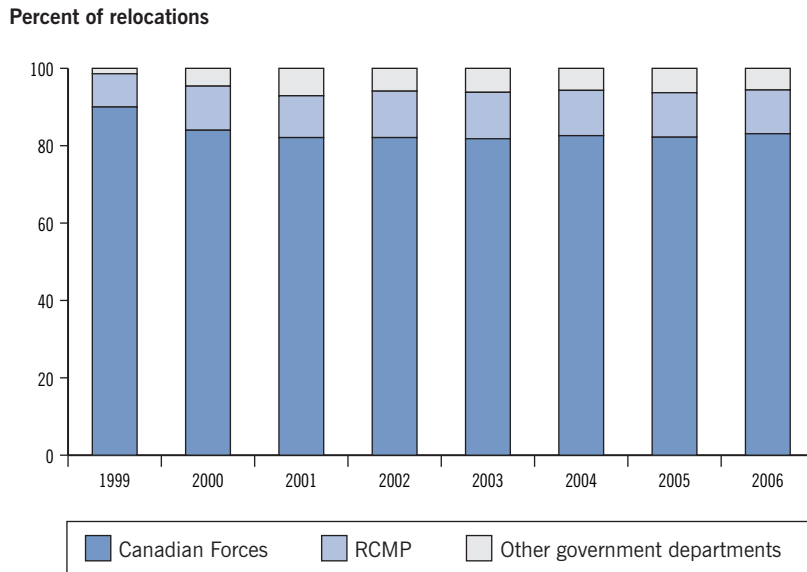
**5.3** In April 1999, Royal LePage Relocation Services (RLRS) was awarded the contract, through a competitive process, to administer the pilot program. In December 2002, the company was awarded the contract for the permanent program; however, the government later cancelled this contract. In November 2004, following another competitive process, the company was awarded the two current contracts for the Integrated Relocation Program. The contract for the Canadian Forces was valued at \$125 million, and the contract for the RCMP and Government of Canada employees was valued at \$29.2 million. The contract values include RLRS administration fees only. Both contracts run until November 2009, with an option for a two-year extension.

**5.4** About 15,000 relocations take place annually. Of these, about 83 percent are members of the Canadian Forces, 11 percent are members of the Royal Canadian Mounted Police, and 6 percent are employees of other government departments, agencies, and Crown corporations (Exhibit 5.1).

### Roles and responsibilities

**5.5** Departmental roles and responsibilities are set out in the two contracts issued under the Integrated Relocation Program. They are also established by government policies that require departments to measure and report on program results (Exhibit 5.2). As the government's contract authority, Public Works and Government Services Canada (PWGSC) has a responsibility to ensure that procurement activities are open, fair, and honest and that all potential suppliers are subject to the same conditions. PWGSC is accountable for the integrity of the complete procurement process, including all actions taken within the process.

**Exhibit 5.1 The Canadian Forces has the majority of relocations**



Source: The Treasury Board Secretariat

**Exhibit 5.2 Key responsibilities for the Integrated Relocation Program**

Treasury Board	<ul style="list-style-type: none"> <li>• Approves the Integrated Relocation Program.</li> <li>• Approves departmental relocation policies.</li> </ul>
Treasury Board Secretariat	<ul style="list-style-type: none"> <li>• As project authority for the program, has overall responsibility for the program.</li> <li>• Authorizes and approves reimbursement claims that exceed established limits.</li> <li>• Is responsible for all matters regarding the scope of the technical work in the program contracts (for example, services offered by Royal LePage Relocation Services).</li> </ul>
Public Works and Government Services Canada	<ul style="list-style-type: none"> <li>• Is the contract authority for the program.</li> <li>• Liaises with Royal LePage Relocation Services on behalf of the departmental authorities about performance and compliance issues.</li> </ul>
Departmental authorities—National Defence and the Royal Canadian Mounted Police	<ul style="list-style-type: none"> <li>• Are responsible for the technical content and for monitoring work conducted under the program contracts.</li> <li>• Are responsible for approving all relocation-related payments.</li> </ul>
Royal LePage Relocation Services	<ul style="list-style-type: none"> <li>• Provides relocation consulting and administrative services, including planning, marketing assistance, and destination services.</li> <li>• Pays third-party service providers (for example, lawyers, real estate agents, and appraisers).</li> <li>• Pays advances and allowances, and settles all relocation costs claimed by employees/members (for example, meals, hotel, and mileage).</li> </ul>
Third-party service providers—real estate agents, appraisers, lawyers, and inspectors	<ul style="list-style-type: none"> <li>• Provide services to employees/members being relocated.</li> </ul>

Source: Public Works and Government Services Canada

## Administration of the program

**5.6** The basic benefits in the Canadian Forces, RCMP, and Government of Canada relocation policies are similar, although the administration of the policies differs considerably.

**5.7** The Canadian Forces relocation policy is delivered to members through Royal LePage Relocation Services consultants located on Canadian Forces bases throughout the country. All relocation files are maintained in RLRS offices located on these bases until files are completed and closed by RLRS. The Canadian Forces do not review closed files, original receipts, or detailed explanations of the costs incurred. RLRS pays most non-administrative (“flow through”) costs associated with relocations (for example, employee advances, relocation allowances, real estate commissions, and legal fees ) on behalf of National Defence (Canadian Forces). Up until 1 July 2006, RLRS had been reimbursed daily through electronic credits made by the Receiver General on behalf of National Defence (Canadian Forces) to a **zero balance account** held in the name of RLRS. Since 1 July, National Defence (Canadian Forces) has assumed complete control for initiating payments to the zero balance account.

**Zero balance account**—An account with a commercial bank that allows Royal LePage Relocation Services to pay suppliers and Canadian Forces personnel on behalf of National Defence for costs associated with the relocation. At the end of each business day, the contractor reports to the Receiver General the amount expended from the account, and the Bank of Canada reimburses the appropriate amount. For example, if the contractor issues payments for \$1 million from the account on a given day, the Bank of Canada deposits \$1 million the next banking day, which effectively “zeros out” the account.

Using this account to handle payments was intended to reduce National Defence’s financial administration and interest payments to the contractor.

**5.8** Members of the RCMP and employees of government departments do not have RLRS consultants in their detachments or offices. Consultations between a member and RLRS are conducted by phone or through other electronic means. Closed files are sent to the member’s new posting. Any reconciliation or verification of relocation files is done at the regional or divisional level by RCMP relocation reviewers.

**5.9** Administrative and “flow through” costs associated with each RCMP relocation file are incorporated into a billing arrangement that consists of three payments. The bills are based on estimates by RLRS of the move’s costs and are submitted to RCMP relocation reviewers for approval. The RCMP does not use a zero balance account.

**5.10** In accordance with the contracts, the contractor receives an administration fee for the relocation of each Canadian Forces or RCMP member or other government employee. Third-party services provided to the transferee are to be charged according to the ceiling rates for these services as set out in the contract.

## Focus of the audit

**5.11** The focus of our audit was to assess whether the two contracts issued in 2004 for the Integrated Relocation Program were awarded

according to government contracting policies and the Public Works and Government Services Canada Supply Manual.

**5.12** We assessed the extent to which the Treasury Board Secretariat and the departments had established appropriate performance measures for the contracts. We also examined financial controls of National Defence (Canadian Forces) and the RCMP for administration of the contracts.

**5.13** We did not assess individual claims made by relocated employees/members or activities related to the removal of household goods. Nor did we assess how Royal LePage Relocation Services administered the Integrated Relocation Program.

**5.14** While this chapter includes the names of various contractors, it must be noted that our conclusions about management practices and actions refer only to those of government departments. The rules and regulations we refer to are those that apply to public servants; they do not apply to contractors. We did not audit the records of the private sector contractors. Consequently, our conclusions cannot and do not pertain to any practices that contractors followed.

**5.15** Departments and agencies included in the audit were

- National Defence (Canadian Forces),
- Public Works and Government Services Canada,
- the Royal Canadian Mounted Police, and
- the Treasury Board Secretariat.

**5.16** More information on the audit objectives, scope, approach, and criteria are in **About the Audit** at the end of this chapter.

## Observations and Recommendations

### Contracting for the Integrated Relocation Program

#### The request for proposal contained incorrect and misleading information

**5.17** There was one request for proposal (RFP) issued by PWGSC for the Canadian Forces and the RCMP/Government of Canada contracts. We expected that the RFP would have set out a clear and accurate description of the statement of work that the winning bidder was expected to provide, and that the contracts would have been tendered in a fair, open, and transparent manner. We also expected

that all bids would have been evaluated in a fair and consistent manner against the criteria described in the RFP.

**5.18** The RFP's evaluation procedures and criteria instructed bidders to quote one price for administering relocation files and a second price, based on six ceiling rates, for relocation services to be provided by third-party service providers. These third-party services include

- property management services,
- appraisals,
- building inspections,
- realtor services,
- rental search services, and
- legal services.

**5.19** In accordance with the criteria established for evaluating the bids, both prices were combined to generate a total bid price. The total bid price and the bidder's total technical score were then combined using predetermined evaluation criteria that assigned a weighting of 25 percent to the price proposal and 75 percent to technical merit. The proposal with the highest combined rating of technical merit and price would be recommended for awarding of the contract.

**5.20** A basic principle of government procurement is that bidders can rely on the completeness, accuracy, and integrity of the information in the RFP because their proposal is based on that information (Exhibit 5.3). This is particularly important when an incumbent service provider is one of the bidders.

**5.21** As part of our audit, we reviewed the third-party service business volumes set out in the RFP. We noted a wide gap between actual business volumes in the program and some of the volumes set out in the RFP. In particular, we noted a wide discrepancy in the business volumes for property management services.

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### Exhibit 5.3 Guiding principles of procurement

**Integrity**—PWGSC supply activities will be open, fair, and honest.

**Equal treatment**—PWGSC will ensure that all potential suppliers of a particular requirement are subject to the same conditions.

**Accountability**—PWGSC is accountable for the integrity of the complete procurement process including all actions taken within the process; this also applies to actions originating from the client that are not in compliance with the Treasury Board or PWGSC policies, or applicable legislation.

Source: Public Works and Government Services Canada Supply Manual

**5.22** Property management services apply to relocations when an employee owns a home and wishes to rent it rather than sell it. These services include such things as screening and monitoring tenants, collecting rent, and conducting property inspections.

**5.23** For the purpose of evaluating financial proposals, bidders were required to provide an individual unit price for property management services, based on ceiling rates. The individual unit price was applied to the business volume stated in the RFP to arrive at a total price for property management services.

**5.24** Based on information provided by National Defence, we found that the request for proposal had incorrectly stated the proportion of Canadian Forces relocations (60 percent or some 7,200 relocations each year) using property management services. Bidders, therefore, based their proposals for these services on those numbers. According to Canadian Forces statistics, however, only 183 of about 81,000 moves between 1999 and 2005 (about 0.22 percent) had actually used these services.

**5.25** Similarly, the request for proposal also incorrectly stated the proportion of RCMP and Government of Canada relocations using property management services (450 RCMP relocations and 280 Government of Canada relocations annually). In fact, between 1999 and 2005, only 2 of almost 11,000 RCMP relocations and 4 of over 5,300 Government of Canada relocations used property management services.

**5.26** In preparing its bid for the Canadian Forces contract, Envoy Relocation Services Inc., one of the two bidders for the Canadian Forces contract, did not have information on the actual program volumes for third-party services. Envoy prepared its bid based on business volumes stated in the request for proposal for the contract. It priced property management services for some 7,200 Canadian Forces moves annually for the five-year contract period and an optional two years at \$48.7 million. As the incumbent service provider, Royal LePage Relocation Services had access to actual program volumes for third-party services because it had provided relocation services to the government during the four-year pilot Integrated Relocation Program beginning in April 1999 and also for the period beginning in 2002 under the contract that was terminated. The RLRS bid was substantially less. Following the bid evaluation process, a contract was issued to RLRS with a ceiling rate of zero percent for property management services, indicating that these services were to be provided without cost to Canadian Forces members.

**5.27** In reviewing correspondence related to the request for proposal, we noted that a potential bidder had asked PWGSC to provide figures showing the actual use of property management services by members of the Canadian Forces and RCMP and by Government of Canada employees for the past five years. PWGSC's response, based on representations from the Canadian Forces, RCMP, and the Treasury Board Secretariat, was that the figures were not available. In our view, National Defence (Canadian Forces) and the RCMP should have been able to provide the correct information. PWGSC, as the contracting authority, and the Treasury Board Secretariat, as the project authority, should also have been able to provide these figures and had an obligation to do so.

**5.28** We concluded for two reasons that the Canadian Forces and the RCMP/Government of Canada contracts were not tendered in a fair and equitable manner. First, the business volumes incorporated into the request for proposal by the Treasury Board Secretariat as project authority and by the departmental authorities (National Defence and the RCMP) contained materially incorrect information on the volumes for property management services. Second, although PWGSC followed its established processes, these steps were not sufficient—particularly when concerns had been raised—to offset an unfair advantage the incumbent bidder had attained through its work on a previous contract and to ensure that all bidders in the tendering process had access to correct and complete material information. Accordingly, the tendering process did not adhere to the government policy requirement for fair and transparent competitive tendering or to the PWGSC Supply Manual.

**Warning signs that the fairness of the procurement process had been compromised were not acted on**

**5.29** We reviewed the RFP process for the 2004 contract award to determine whether there were any signs that the fairness of the procurement process may have been compromised and, if so, whether PWGSC had taken appropriate action.

**5.30** We noted instances during the process where bidders raised questions with PWGSC concerning property management services. These included questions about apparent inconsistencies in the percentage of relocations that would require property management services and a request for actual business volumes for property management services over the past five years.

**5.31 Inconsistencies in the request for proposal.** Information in the request for proposal stated that 60 percent of Canadian Forces members were renters and 40 percent were homeowners. One potential bidder notified PWGSC that the evaluation criteria in the RFP applied the percentage of renters (60 percent) to property management services—a service that only homeowners could use.

**5.32** In its response, PWGSC confirmed that property management services apply only to homeowners not selling their homes, but it stated that for evaluation purposes, the percentage figure (60 percent) would not be changed. In our view, the response provided did not adequately address the potential bidder's concern.

**5.33 Accuracy of business volumes questioned.** During the RFP process, a potential bidder questioned the information on the number of Canadian Forces relocations that would require property management services. The questioner stated that the rate of use for this service was much lower and asked for statistics on the actual use of this service. Another potential bidder requested the actual volume of relocations using property management services. PWGSC subsequently communicated to all bidders that actual volumes were not available for the past five years but the estimated number of annual moves could be found in the RFP. In our view, this response did not adequately address the concern raised.

#### **The bids for providing property management services varied widely**

**5.34** We reviewed PWGSC's evaluation of the financial component of the bids received in response to the request for proposal for both contracts. We expected that the evaluation would be conducted according to the government's contracting policy and the PWGSC Supply Manual.

**5.35** As required by the contracting policy, each bid was individually evaluated against the criteria set out in the RFP. While PWGSC evaluated the bids properly, it did not pay adequate attention to the collective facts in the bids submitted in response to the RFP. In our view, consideration of the full set of facts should have raised a concern that the fairness and integrity of the bidding process had been compromised.

**5.36** PWGSC officials believe that the government's contracting policy and the applicable law do not permit them to make such comparisons. PWGSC officials also believe that had such a comparison been made, any information obtained could not have been used to

alter the procurement process. In our view, while this policy and the law preclude the comparison of bids during the evaluation process, they do not, nor were they designed to, preclude the use of such comparisons for purposes that are unrelated to the evaluation of the bids, such as ensuring the integrity of the procurement process.

**5.37** We noted that the variation between the two bids for property management services in the Canadian Forces contract was tens of millions of dollars. There were also significant differences among the three bids for property management services in the RCMP and Government of Canada contract.

**5.38** In our view, these discrepancies should have been another warning sign for PWGSC to review the integrity of the information contained in the request for proposal and take necessary action to ensure fairness in the bidding process.

**5.39** We noted that one individual had carried out the financial evaluation. In our view, this represents a control weakness in the evaluation process because it lacks an appropriate level of checks and balances. With more than one person involved in this process, it would be more likely that someone would identify and act upon signs that the process may have been compromised.

**5.40 Recommendation.** For significant and high-risk proposals, Public Works and Government Services Canada should ensure that more than one person evaluates the financial component of bids.

**Public Works and Government Services Canada's response.** Public Works and Government Services Canada agrees with this recommendation.

#### **Additional actions could have been taken to address bidders' concerns**

**5.41** We reviewed the action that PWGSC took in response to questions from potential bidders on business volumes for property management services. PWGSC stated that it sought confirmation of the estimates contained in the request for proposal from the Treasury Board Secretariat, National Defence (Canadian Forces), and the RCMP and that they all confirmed that the business volumes stated in the RFP were correct. In our view, this action was not sufficient.

**5.42** In developing the RFP for the contracts, the project authority, contract authority, or departmental authorities could have asked the incumbent service provider to provide statistics on actual business volumes. We found no evidence of such a request.

**5.43** In addition, the project authority, contract authority, or departmental authorities could have analyzed the reasonableness of the business volumes contained in the RFP by developing volume estimates from the quarterly financial reports provided to them by Royal LePage Relocation Services. We found no evidence that such an analysis was carried out. The departments could also have requested their internal audit group to conduct a review to determine whether the business volumes set out in the RFP were reasonable.

**5.44** We further expected that, based on questions from potential bidders, PWGSC would have reviewed and amended the RFP so that the proportion of Canadian Forces members who are homeowners (40 percent), rather than the proportion who are renters (60 percent), would be applied to property management services.

**5.45** While the contracting policy and the applicable law prohibit the evaluation team from comparing competing bids during the evaluation process, we believe that PWGSC has to be alert to situations where the collective facts indicate that the fairness and integrity of the procurement process may have been compromised. Although PWGSC officials believe that the policy and the law prohibit them from comparing bids at all, we believe that consideration of all the available facts is necessary to ensure that the procurement process is fair. This is a fundamental accountability of PWGSC.

#### **Information was inadequate for management's oversight of the evaluation of financial bids**

**5.46** In our review of the evaluation process, we assessed the nature and amount of briefing information provided to PWGSC managers who had overseen and reviewed the evaluation of the financial component of the bids.

**5.47** We noted that PWGSC senior management received highly summarized information on the evaluation results from the contract officer to support the recommendation to award the contract. In our view, this information was not sufficiently detailed to allow management to effectively review and challenge the integrity of the evaluation.

**5.48 Recommendation.** When recommending a contract award for significant and high-risk proposals, Public Works and Government Services Canada contract officers should ensure that briefing material prepared for senior management contains sufficient detail to allow appropriate management oversight and review.

**Public Works and Government Services Canada's response.** Public Works and Government Services Canada agrees with this recommendation.

**The technical evaluation was conducted according to government policy**

**5.49** An evaluation team made up of representatives from the Canadian Forces, RCMP, the Treasury Board Secretariat, and PWGSC conducted the technical evaluation of the contract bids. Team members were responsible for independently reviewing all bids to ensure that mandatory technical requirements were satisfied and for scoring sections of the evaluation criteria that were subject to a point-rating system.

**5.50** After the scoring exercise, the team developed a final evaluation based on consensus. A fairness monitor who was present during those discussions confirmed that the technical evaluation was conducted in a fair and transparent manner.

**5.51** We reviewed the technical evaluation of the bids to ensure that all bidders satisfied the mandatory requirements, and we examined the point-rated sections where either bidder lost points. In each section, we found a brief explanation of the bidder's deficiency and a rationale supporting the deduction of points.

**5.52** We noted that in its May 2005 response to a complaint submitted by Envoy, the Canadian International Trade Tribunal stated that PWGSC bid evaluators inappropriately compared Envoy's proposal for the Canadian Forces contract and Envoy's two proposals for the RCMP and Government of Canada contract. The Tribunal recommended that a section of the proposals be re-evaluated by a new evaluation team and that each bidder's proposal be re-evaluated separately. If the re-evaluation resulted in a new winning bidder for either of the two contracts awarded, the existing contract should be cancelled and awarded to the newly successful bidder.

**5.53** PWGSC appealed the Tribunal's decision to the Federal Court of Appeal. In January 2006, the Court upheld the Tribunal's finding that Envoy's bids had been inappropriately compared, but it struck down the Tribunal's recommendation to have PWGSC re-evaluate all bids. It was the Court's view that the re-evaluation of all bid proposals would have no effect on the 2004 award decision.

**5.54** We concluded that, except for this issue of comparison of the bids, the evaluation of the technical portion of the bids was carried out in accordance with the Treasury Board Contracting Policy.

**The rationale for the evaluation criteria was not documented**

**5.55** As part of our assessment of the process for awarding the contracts, we wanted to determine whether the basis for evaluating the bids had been established and communicated to potential bidders.

**5.56** We expected that, as required by the Treasury Board Contracting Policy, the contract files would provide a complete audit trail containing details related to relevant communications and decisions, including the identification of officials and contracting approval authorities involved. In addition, the PWGSC Supply Manual states that a current file serves as a historical record and an accurate audit trail in the event of a financial review, subsequent legal action, or an official complaint. We expected that the file would include documentation of the rationale for evaluation criteria established.

**5.57** We found that PWGSC had followed the Treasury Board Contracting Policy for establishing and disclosing the bid evaluation criteria and weighting system to be used. The request for proposal clearly indicated that a 75 percent weighting had been assigned to the evaluation of a bid's technical component and 25 percent to its financial component.

**5.58** Although the RFP disclosed the evaluation criteria and the 75/25 split, the reasons why PWGSC chose this particular ratio were not documented in its procurement files. This is a concern because the evaluation criteria and the weighting of technical versus price considerations may influence the selection of the winning bid.

**5.59** PWGSC officials told us that technical considerations had received a relatively heavy weighting because the primary objective of the Integrated Relocation Program was to ensure that the winner of the contract would deliver a high level of service. Quality-of-life considerations, therefore, took precedence over price. We found no documentation or analysis, however, to support this rationale for the weighting system.

**5.60** PWGSC officials have also stated that this weighting was used to balance the concerns raised by potential bidders—that is, the incumbent's concern that its pricing structure was known to competitors and the new bidders' concern that a financial bid that had to take into account the cost of establishing the necessary infrastructure to deliver the program may result in their bid not being financially competitive.

**The government may have paid too much for the Canadian Forces relocation contract**

**5.61** The technical components of the bid proposals of both Royal LePage Relocation Services and Envoy for the Canadian Forces contract complied with the terms and conditions of the request for proposal. The evaluation team evaluated the bid of RLRS at 984.20 and the bid of Envoy at 919.00 out of a possible 1,000 points.

**5.62** We noted that when the amount bid for the administration fee to be charged for each relocation is combined with the amounts bid for the six third-party services, the aggregate amounts of the two bids were quite similar, with Envoy's bid being \$9 million less. However, while the total amounts of the two bids were similar, we noted that the components of the amounts were substantially different.

**5.63** Because PWGSC was unaware of the incorrect property management business volumes in the request for proposal, the government may have paid more than it needed to for the administrative services of a professional relocation company.

**The government acted appropriately to preserve the integrity of the procurement process in cancelling the 2002 contract**

**5.64** The government awarded the first contract for the permanent Integrated Relocation Program to Royal LePage Relocation Services in December 2002. In March 2003, an unsuccessful bidder filed a complaint with the Canadian International Trade Tribunal alleging multiple deficiencies in the bid evaluation process. The Tribunal found the complaint partially valid.

**5.65** At the same time, PWGSC was conducting an internal investigation into allegations of misconduct by its own employees. The investigation revealed that an employee of the Department was in a perceived conflict of interest. To address the perceived conflict of interest, PWGSC started a new procurement process; following the award of the contracts in 2004, it terminated the existing contract. Even though the government may incur additional costs as a result of terminating the 2002 contract for the Integrated Relocation Program, PWGSC acted appropriately to preserve the integrity of the government's procurement process.

## Measuring the performance of the Integrated Relocation Program

### Tools for measuring the program's performance have not been developed

**5.66** As part of our audit, we examined the extent to which the Treasury Board Secretariat and the departments involved have an appropriate framework for measuring the effectiveness of the Integrated Relocation Program. Specifically, we expected that the framework would include clearly defined objectives and results to be achieved, and provisions to measure, evaluate, and report on key aspects, including the contractor's performance. Such a framework is essential to know if the program is providing good value for money and contributing to the quality of life of members and employees.

**5.67** We expected to find mechanisms in place in the departments and at the Treasury Board Secretariat to measure and report on the financial and non-financial results of the Integrated Relocation Program and the performance of Royal LePage Relocation Services against clearly defined objectives and criteria.

**5.68** For several years, the Treasury Board Secretariat and government departments have defined various objectives for the Integrated Relocation Program as it was being developed and implemented. These objectives focused on moving employees with a minimum of disruption and at reasonable cost. To this end, the program introduced ceiling rates that capped costs for a variety of services, such as real estate commissions. These cost control measures were to offset the expense of engaging a professional relocation company to administer the program.

**5.69** We found that neither the departments nor the Treasury Board Secretariat had developed the tools or indicators needed to assess the performance of the program or the contractor in administering and delivering it.

### Neither the Treasury Board Secretariat nor departments routinely assess the satisfaction among personnel who have been moved under the program

**5.70** A key reason for implementing the Integrated Relocation Program was to improve the quality of life for members of the Canadian Forces and RCMP and other federal employees as they relocate. Given the number of moves an individual may make and the impact on their family, we expected that the Treasury Board Secretariat and departments would routinely measure this aspect of the program to ensure that this key objective was being met.

**5.71** We found that the Secretariat and the departments rely mainly on a client satisfaction survey that Royal LePage Relocation Services

administers and presents to members and employees after they have moved. However, the survey collects information only on the services of RLRS and third-party suppliers. It does not solicit the opinions of members and employees on departmental policies and the relocation benefits their employers offer. Therefore, departments have little or no information on this important aspect of the program.

**5.72** National Defence and Canadian Forces officials told us that there have been few grievances supported in favour of Canadian Forces members, indicating that the program is achieving one of its objectives of delivering fair and reasonable reimbursement of relocation expenses.

**5.73** National Defence (Canadian Forces) acknowledged that its performance measurement system is not complete and that the Department is lacking feedback from members and not measuring the contractor's performance against stated objectives.

**5.74** The RCMP indicated that its transferees frequently communicate their concerns about the Integrated Relocation Program and Royal LePage Relocation Services to departmental officials and that these concerns are addressed internally and with RLRS. However, the RCMP acknowledged that additional tools need to be developed to collect information from transferees in a more formal and systematic way. The Treasury Board Secretariat also addresses concerns raised by Government of Canada employees.

**5.75** Although departments are addressing concerns and grievances related to relocation, they are not systematically tracking and analyzing them to identify systemic weaknesses or areas where the relocation policy may need to be revised.

**5.76** Treasury Board Secretariat officials told us that a survey is being developed to collect information on the level of satisfaction with the program. It will be distributed before the end of 2006.

**5.77 Recommendation.** National Defence (Canadian Forces) and the RCMP should systematically collect information from members who have been relocated to measure their satisfaction with the benefits and incentives of the Integrated Relocation Program and the performance of the Royal LePage Relocation Services. This information should be used to guide any changes in policy.

**National Defence's response.** A comprehensive Performance Management Framework for the Canadian Forces Integrated Relocation Program will be developed and implemented. Feedback

from members will be one important element of this framework. As has been our practice, this feedback will be considered in the development of future policy amendments.

**The RCMP's response.** We agree. The RCMP will work in collaboration with the Treasury Board Secretariat and Public Works and Government Services Canada to develop tools by 15 April 2007 to measure members' satisfaction with the program and the performance of Royal LePage Relocation Services.

**5.78 Recommendation.** The Treasury Board Secretariat, as project authority, should establish mechanisms to systematically measure and report on the effectiveness of the Integrated Relocation Program.

**The Treasury Board Secretariat's response.** The Treasury Board Secretariat agrees with the recommendation. The Secretariat is re-establishing a survey tool (previously suspended in order to address contract re-tendering) to complement other mechanisms in place that assist in measuring performance. The Secretariat plans to launch the survey before the end of 2006. It should be noted that the Secretariat currently has mechanisms in place to monitor performance. The National Joint Council is used for identifying issues and difficulties that transferees may be encountering. The Secretariat also conducts outreach with departmental program coordinators to ensure that there is a solid community of practice to diminish risks and receive feedback on program effectiveness and applicability.

**There is no system for monitoring the contractor's performance in delivering and administering the program**

**5.79** The Treasury Board Contracting Policy requires that departments and agencies involved in managing a contract for services clearly understand and carry out their roles and responsibilities for monitoring the performance of the contractor. The two contracts that we examined for the Integrated Relocation Program specify criteria or service standards against which to measure how well the contractor is performing. For example, the contracts stipulate that Royal LePage Relocation Services staff must return telephone calls within three business days. However, departments do not monitor or measure the performance of RLRS for this requirement.

**5.80** We found that the Treasury Board Secretariat and departments have no formal process for tracking and monitoring problems, if any, related to the contractor's performance. Nor do they systematically analyze problems that do arise to find the causes and prevent them from recurring.

**5.81 Recommendation.** The Treasury Board Secretariat, National Defence (Canadian Forces), and the RCMP should establish formal mechanisms to measure and report on the contractor's performance.

**The Treasury Board Secretariat's response.** The Treasury Board Secretariat will work with Public Works and Government Services Canada, National Defence (Canadian Forces), and the RCMP to establish additional performance mechanisms to measure and report on the contractor's performance. To complement these proposed formal mechanisms, the Secretariat will continue to use other mechanisms already in place to monitor performance.

**National Defence's response.** As stated in our response to the recommendation at paragraph 5.77, a comprehensive Performance Management Framework will be developed and implemented by National Defence and the Canadian Forces. One aspect of this framework will be the establishment of objectives that will be used to measure and report on contractor performance.

**The RCMP's response.** We agree. The RCMP will work in collaboration with the Treasury Board Secretariat and Public Works and Government Services Canada to develop tools by 15 April 2007 to measure the performance of Royal LePage Relocation Services.

**We found no data to show that outsourcing relocation services is cost-effective**

**5.82** The Treasury Board Secretariat told us that, since 1999, the pilot program and the permanent program have generated savings of almost 29 percent compared with pre-program costs. These savings are attributed to the use of ceiling rates for third-party services established by Royal LePage Relocation Services. Secretariat officials indicated that the savings from ceiling rates would offset the costs of obtaining the services of a professional relocation company; however, they were unable to provide documentation to support this claim. Moreover, National Defence (Canadian Forces), the largest program client, told us that no data is available that shows savings from outsourcing the relocation services.

**5.83** In the absence of such data, we were unable to conclude whether the Integrated Relocation Program has generated sufficient savings to offset the cost of outsourcing the program to Royal LePage Relocation Services.

**Controlling the spending of money****Financial controls for reimbursements to the contractor are inadequate**

**5.84** Complying with the terms of the *Financial Administration Act* and the Payments and Settlements Requisitioning Regulations is critical to the government's financial control process.

**5.85** Under the terms of the Canadian Forces contract with Royal LePage Relocation Services, the company is responsible for paying third-party suppliers. The company also reimburses relocated personnel for costs such as hotels and meals. In 2005 these payments amounted to almost \$180 million for the Canadian Forces.

**5.86** Royal LePage Relocation Services pays these amounts from a zero balance account (see page 5) that it maintains for this purpose. The company informs National Defence (Canadian Forces) at the end of each day of the amount disbursed that day. Since 1 July 2006, National Defence has initiated all payments directly to the account in reimbursement on a daily basis. Before then, the Receiver General had the delegated authority to reimburse RLRS daily through the account. Payments of the “flow through” (non-administrative) costs are to be monitored by the Canadian Force's Directorate Compensation Benefits Administration. The administration fees of RLRS are submitted separately to the Canadian Forces for approval before payment is issued. These costs are not paid through the zero balance account.

**5.87** Under this process, National Defence (Canadian Forces) issues payment before its staff can review the supporting documentation to ensure that payments have been made to valid parties and that they are consistent with the policies on relocation.

**5.88** While the Treasury Board Account Verification Policy allows a department to do the necessary verification work required under section 34 of the *Financial Administration Act* after—rather than before—goods or services are paid for, adequate control requires that the accounts be verified within a reasonable period of time.

**5.89** We noted that National Defence (Canadian Forces) has not been completing the necessary review and verification work. The Department has not been carrying out sufficient pre- or post-payment verification work since the launch of the Integrated Relocation Program in 1999. Currently, a backlog of about 36,250 account files need to be reconciled.

**5.90** The Department indicated that since 1999 it has not had enough resources to deal with the problem or to carry out a number of

related tasks. These include determining audit requirements and program evaluation criteria, carrying out audits, determining and recovering amounts owed to the government, and performing adequate pre-payment validation under section 34 of the *Financial Administration Act*.

**5.91** The Department has begun to develop the systems and processes needed to comply with sections 34 and 33 of the Act as part of a larger management control framework. It is not clear when this work will be completed.

**5.92** The RCMP also has a financial control problem. As previously mentioned, the RCMP does not operate a zero balance account but makes a series of advances to Royal LePage Relocation Services based on estimates of a move's final costs. However, when actual documentation is finally received, it uses only a limited, informal, risk-based audit approach to verify relocation expenses. In our view, this approach is insufficient before final settlement with the contractor. Departmental officials in the Pacific Region told us that they lack the resources needed to perform proper audits of closed files.

**5.93 Recommendation.** National Defence (Canadian Forces) should take steps to comply with the *Financial Administration Act* and to develop a plan to ensure that expenditures made under the Integrated Relocation Program are valid and accurate.

**National Defence's response.** National Defence and the Canadian Forces are currently implementing an exception reporting approach to certifying transactions under section 34 of the *Financial Administration Act*. At the same time, we are pursuing a more comprehensive solution that will require an additional investment in personnel as well as enhanced information management and information technology support.

**5.94 Recommendation.** National Defence (Canadian Forces) should analyze a sample of Integrated Relocation Program transactions from previous years to assess the risk that amounts spent on the program do not comply with the policy or contractual terms and conditions. If amounts identified are significant, the extent of testing should be increased. If necessary, National Defence (Canadian Forces) should develop a strategy to recover funds.

**National Defence's response.** National Defence and the Canadian Forces will be reviewing a number of Integrated Relocation Program files from prior years to assess the extent to which payments complied with policy and members received their respective entitlements.

**5.95 Recommendation.** The RCMP should ensure that it complies more rigorously with account verification policies and procedures for validating expenditures for the Integrated Relocation Program.

**The RCMP's response.** We agree. The RCMP will create a standardized procedural guide to assist RCMP relocation reviewers to reconcile Integrated Relocation Program files in a consistent and formal manner, by 15 April 2007, in accordance with the government's account verification policies and procedures.

#### **Fees charged for property management services are higher than contracted rates**

**5.96** As part of our audit, we reviewed a sample of 10 relocations involving the use of property management services to determine if amounts charged to members were in accordance with the ceiling rate set out in the contract (Exhibit 5.4). The Canadian Forces contract establishes a ceiling rate of zero percent (\$0), which is the maximum rate that transferees should pay for property management services if they choose not to sell their home during the relocation process.

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#### **Exhibit 5.4 Canadian Forces contract—ceiling rate requirement**

Section 11.2 of the Canadian Forces contract for the Integrated Relocation Program states:

"The requirements of the Statement of work [which includes property management services] shall be completed in accordance with the terms and conditions of the Contract and shall be subject to the ceiling prices specified."

Annex 'B'1(b) of the Canadian Forces contract states:

"The Contractor will be reimbursed for [third party service] fees at actual cost up to the ceiling rate quoted with no allowance for profit or overhead."

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**5.97** We found that all 10 Canadian Forces members had paid an amount for property management services, from their own funds, that exceeded the contractual rate by between \$800 and just over \$8,000.

**5.98 Recommendation.** National Defence (Canadian Forces) should complete a review of all relocations involving property management services to determine the full extent of overpayment and ensure that Canadian Forces members are reimbursed for property management services paid in excess of contractual rates.

**National Defence's response.** National Defence and the Canadian Forces will conduct a complete review and legal analysis of property management fees and expenditures. Once this review and analysis is complete, payments to members will be adjusted accordingly.

**5.99 Recommendation.** Public Works and Government Services Canada should ensure that all ceiling rates are in accordance with the terms and conditions of the contract.

**Public Works and Government Services Canada's response.** Public Works and Government Services Canada agrees with this recommendation and will conduct a detailed investigation to ensure that all ceiling rates are in accordance with the terms and conditions of the contract. Any overpayment will be reimbursed to the Crown in accordance with the audit provisions of the contracts.

## Conclusion

**5.100** A basic principle of government procurement is that bidders can rely on the completeness, accuracy, and integrity of the information in the request for proposal and that bids will be evaluated fairly and equitably.

**5.101** We have concluded for two reasons that the Canadian Forces and RCMP/Government of Canada contracts were not tendered in a fair and equitable manner. First, some of the business volumes incorporated into the request for proposal by the Treasury Board Secretariat, National Defence (Canadian Forces), and the RCMP contained materially incorrect information.

**5.102** Second, although PWGSC followed its established processes, these steps were not sufficient—particularly when concerns had been raised—to offset an unfair advantage the incumbent bidder had attained through its work on a previous contract and to ensure that all bidders in the tendering process had access to correct and complete information.

**5.103** The Integrated Relocation Program was launched to improve the quality of service provided to members of the Canadian Forces and RCMP and other federal employees who are relocated. Despite the focus on the quality of life as a main reason for the program, we found that neither the Treasury Board Secretariat nor the departments have developed performance measures to demonstrate whether the program's objectives are being met.

**5.104** National Defence has yet to establish basic internal controls for the expenditure of public funds for the program, and the RCMP needs to ensure that it complies more rigorously with the government's policies and procedures for validating expenditures for the Integrated Relocation Program.

**5.105** Members of the Canadian Forces have been charged amounts for property management services in excess of rates established in the contract.

## About the Audit

### Objectives

The objectives of this audit were to determine whether

- the contracts for the Integrated Relocation Program were awarded according to the Treasury Board Contracting Policy, government contracting regulations, and the Public Works and Government Services Canada (PWGSC) Supply Manual;
- the contracts were managed and administered according to the terms and conditions of government and departmental relocation policies; and
- the Treasury Board Secretariat and the departments involved established performance measures to demonstrate and report that objectives of the program are being met.

### Scope and approach

Departments and agencies included in the audit were

- the Treasury Board Secretariat (project authority);
- Public Works and Government Services Canada (contract authority);
- National Defence (Canadian Forces); and
- the Royal Canadian Mounted Police.

While this chapter includes the names of various contractors, it must be noted that our conclusions about management practices and actions refer only to those of public servants. The rules and regulations we refer to are those that apply to public servants; they do not apply to contractors. We did not audit the records of the private sector contractors. Consequently, our conclusions cannot and do not pertain to any practices that contractors followed. We did not assess individual expenses claims made by relocated employees or activities related to the moving of household goods.

### Criteria

We conducted the audit using the following criteria:

- The contracting process for the Integrated Relocation Program was conducted according to the Treasury Board Contracting Policy, government contracting regulations, and the PWGSC Supply Manual.
- The contracts for the program were administered according to the terms and conditions of government and departmental relocation policies.
- The financial administration of the contracts and program complied with the *Financial Administration Act*, Account Verification Policy, and other relevant financial management policies of the Treasury Board.

We expected that the Treasury Board Secretariat and departments would have established performance measures that would include the following:

- clearly defined objectives and results that are to be achieved by the Integrated Relocation Program;
- an information framework that measures, evaluates, and reports on key aspects of the program;
- a procedure for the receipt of timely program performance information; and
- use of the performance information gathered to improve the efficiency and effectiveness of the program.

### **Audit work completed**

Audit work for this chapter was substantially completed on 23 August 2006.

### **Audit team**

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## Appendix List of recommendations

The following is a list of recommendations found in Chapter 5. The number in front of the recommendation indicates the paragraph where it appears in the chapter. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Organizations' responses
<b>Contracting for the Integrated Relocation Program</b>	
<p><b>5.40</b> For significant and high-risk proposals, Public Works and Government Services Canada should ensure that more than one person evaluates the financial component of bids. (5.34–5.39)</p>	<p><b>Public Works and Government Services Canada's response.</b> Public Works and Government Services Canada agrees with this recommendation.</p>
<p><b>5.48</b> When recommending a contract award for significant and high-risk proposals, Public Works and Government Services Canada contract officers should ensure that briefing material prepared for senior management contains sufficient detail to allow appropriate management oversight and review. (5.46–5.47)</p>	<p><b>Public Works and Government Services Canada's response.</b> Public Works and Government Services Canada agrees with this recommendation.</p>
<b>Measuring the performance of the Integrated Relocation Program</b>	
<p><b>5.77</b> National Defence (Canadian Forces) and the RCMP should systematically collect information from members who have been relocated to measure their satisfaction with the benefits and incentives of the Integrated Relocation Program and the performance of the Royal LePage Relocation Services. This information should be used to guide any changes in policy. (5.70–5.76)</p>	<p><b>National Defence's response.</b> A comprehensive Performance Management Framework for the Canadian Forces Integrated Relocation Program will be developed and implemented. Feedback from members will be one important element of this framework. As has been our practice, this feedback will be considered in the development of future policy amendments.</p> <p><b>The RCMP's response.</b> We agree. The RCMP will work in collaboration with the Treasury Board Secretariat and Public Works and Government Services Canada to develop tools by 15 April 2007 to measure members' satisfaction with the program and the performance of Royal LePage Relocation Services.</p>

Recommendation	Organizations' responses
<p><b>5.78</b> The Treasury Board Secretariat, as project authority, should establish mechanisms to systematically measure and report on the effectiveness of the Integrated Relocation Program. (5.70–5.76)</p>	<p><b>The Treasury Board Secretariat's response.</b> The Treasury Board Secretariat agrees with the recommendation. The Secretariat is re-establishing a survey tool (previously suspended in order to address contract re-tendering) to complement other mechanisms in place that assist in measuring performance. The Secretariat plans to launch the survey before the end of 2006. It should be noted that the Secretariat currently has mechanisms in place to monitor performance. The National Joint Council is used for identifying issues and difficulties that transferees may be encountering. The Secretariat also conducts outreach with departmental program coordinators to ensure that there is a solid community of practice to diminish risks and receive feedback on program effectiveness and applicability.</p>
<p><b>5.81</b> The Treasury Board Secretariat, National Defence (Canadian Forces), and the RCMP should establish formal mechanisms to measure and report on the contractor's performance. (5.79–5.80)</p>	<p><b>The Treasury Board Secretariat's response.</b> The Treasury Board Secretariat will work with Public Works and Government Services Canada, National Defence (Canadian Forces), and the RCMP to establish additional performance mechanisms to measure and report on the contractor's performance. To complement these proposed formal mechanisms, the Secretariat will continue to use other mechanisms already in place to monitor performance.</p> <p><b>National Defence's response.</b> As stated in our response to the recommendation at paragraph 5.77, a comprehensive Performance Management Framework will be developed and implemented by National Defence and the Canadian Forces. One aspect of this framework will be the establishment of objectives that will be used to measure and report on contractor performance.</p> <p><b>The RCMP's response.</b> We agree. The RCMP will work in collaboration with the Treasury Board Secretariat and Public Works and Government Services Canada to develop tools by 15 April 2007 to measure the performance of Royal LePage Relocation Services.</p>

Recommendation	Organizations' responses
<p><b>Controlling the spending of money</b></p> <p><b>5.93</b> National Defence (Canadian Forces) should take steps to comply with the <i>Financial Administration Act</i> and to develop a plan to ensure that expenditures made under the Integrated Relocation Program are valid and accurate. (5.84–5.92)</p> <p><b>5.94</b> National Defence (Canadian Forces) should analyze a sample of Integrated Relocation Program transactions from previous years to assess the risk that amounts spent on the program do not comply with the policy or contractual terms and conditions. If amounts identified are significant, the extent of testing should be increased. If necessary, National Defence (Canadian Forces) should develop a strategy to recover funds. (5.84–5.92)</p> <p><b>5.95</b> The RCMP should ensure that it complies more rigorously with account verification policies and procedures for validating expenditures for the Integrated Relocation Program. (5.84–5.92)</p> <p><b>5.98</b> National Defence (Canadian Forces) should complete a review of all relocations involving property management services to determine the full extent of overpayment and ensure that Canadian Forces members are reimbursed for property management services paid in excess of contractual rates. (5.96–5.97)</p>	<p><b>National Defence's response.</b> National Defence and the Canadian Forces are currently implementing an exception reporting approach to certifying transactions under section 34 of the <i>Financial Administration Act</i>. At the same time, we are pursuing a more comprehensive solution that will require an additional investment in personnel as well as enhanced information management and information technology support.</p> <p><b>National Defence's response.</b> National Defence and the Canadian Forces will be reviewing a number of Integrated Relocation Program files from prior years to assess the extent to which payments complied with policy and members received their respective entitlements.</p> <p><b>The RCMP's response.</b> We agree. The RCMP will create a standardized procedural guide to assist RCMP relocation reviewers to reconcile Integrated Relocation Program files in a consistent and formal manner, by 15 April 2007, in accordance with the government's account verification policies and procedures.</p> <p><b>National Defence's response.</b> National Defence and the Canadian Forces will conduct a complete review and legal analysis of property management fees and expenditures. Once this review and analysis is complete, payments to members will be adjusted accordingly.</p>

Recommendation	Department's response
<p><b>5.99</b> Public Works and Government Services Canada should ensure that all ceiling rates are in accordance with the terms and conditions of the contract. (5.96–5.97)</p>	<p><b>Public Works and Government Services Canada's response.</b> Public Works and Government Services Canada agrees with this recommendation and will conduct a detailed investigation to ensure that all ceiling rates are in accordance with the terms and conditions of the contract. Any overpayment will be reimbursed to the Crown in accordance with the audit provisions of the contracts.</p>

# Report of the Auditor General of Canada to the House of Commons—November 2006

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