



2024 National Public Administration Case Competition

Phoenix Rising... Again?: Taking Control of Federal Procurement

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Phoenix Rising...Again?: Taking Control of Federal Procurement

AND YET MORE CONTRACTING PROBLEMS

“There has to be a better way,” lamented the President of the Treasury Board at the Board’s bi-weekly meeting in November. “We are pouring a ton of money into large-scale IT procurement projects, and we are constantly in the media for cost-overruns or worse, misconduct in how these bids and contracts are evaluated and managed. Why can’t our people and the system do a better job?”

Pressure has been mounting from various sources on the Prime Minister and Cabinet to explain what appears to be a long string of contracts showing budget overruns, mismanagement of contractors, ethics violations, and general malaise in the Public Service to improving procurement rules, processes and outcomes. Just recently, a story appeared in [The Globe & Mail](#), that the RCMP was reported to be investigating allegations of misconduct involving an outsourced IT project at the Canada Border Services Agency (CBSA) where two technology experts who performed work for the agency warned senior officials several months prior of improper contracting practices and cozy relationships between the Public Service and private firms. Concerns stem from inappropriate relationships between the CBSA and three regularly used vendors.

The President further noted that Parliament has initiated an internal inquiry into what the *Globe and Mail* is calling a typical example of mismanagement and bungling. It paints a very troubling picture of mismanagement of the ArriveCan app contract involving the same contractors embroiled in the CBSA contract. The article and the Auditor General highlight a price tag of \$54M to create the app with [\\$11M of that cost](#) paid to GCstrategies, a firm with two principals, who did little work on the project but instead subcontracted the work without notifying the contracting authorities about the contracting arrangement to others. The principals also inflated their firm’s credentials, and according to experts cited in the article, this contract demonstrates a lack of oversight provided by Public Services and Procurement Canada (PSPC) and of senior management, who did not do their due diligence in vetting it. For Treasury Board ministers, questions are being raised as to why the federal government cannot design, manage and deliver such contracts appropriately.

Additionally, several commentators including the Auditor General, are actively investigating the notable increase in professional service contracts awarded to various consulting firms including the ones to [McKinsey](#) amounting to \$44M between 2018 and 2022 and this number is increasing. Similar contracts are being awarded to [Deloitte](#) alone totalling over \$172M (2021/22) across more than 800 contracts awarded since 2017. Accenture received \$225M between 2018 and 2021. Many of these contracts showed contract amendments totalling 163 percent in cost increases over original estimates. For the minister, “This situation is intolerable, and it is no way to manage our budgets.”

Another parliamentary inquiry is looking into examining significant cost overruns based on a recent Auditor General report looking into the [Benefits Delivery Modernization Programme](#), which is managed by Employment and Social Development Canada (ESDC) with the aim of modernizing the systems used to deliver benefits to citizens from Old Age Security (including the Guaranteed Income Supplement), the Canada Pension Plan, and the Employment Insurance

Program. This is the largest modernization program in the federal government's history estimated originally at \$1.75 billion in 2017. Costs since then have been increasing exponentially and with an anticipated completion of 2030, Parliament is very worried that this cost will begin to look like other large contract failures such as the [Phoenix Payroll System](#).

With so much negative press at a time when the opposition parties are actively questioning the government's ability to manage its finances, the President has been tasked with finding out how the many failures of the federal procurement system can be repaired. But, first, Treasury Board Secretariat has been directed to find out whether these failures are the result of inappropriate scoping, contract design, or just poor implementation. Are the problems being experienced by federal departments related to the rules, systems, poor management or a breach of ethics?

The public fall-out from these media stories has reached such a high point that the Prime Minister stated very clearly in his government's December Cabinet meeting that, "The government is taking a real hit in the media. We look like we can't manage anything, and that we are completely reliant and at the mercy of external consultants. We need to find out where the failures are, and we need to do this quickly. Get this straightened out!"

Preparing a strategy as to how to tackle this problem, the President requested her officials prepare a briefing note on the governance model for the procurement process, detailing the scale of challenges in current procurement projects, and identifying potential ways to improve the way large procurement IT projects are framed and managed. The following provides key elements of that briefing note.

GETTING THE FACTS

A key piece of information requested by the President of the Treasury Board was the total value of all procurement contracts, by type, and with the most prominent vendors. Interestingly, an independent assessment of all spending in the core public service was carried out by Carleton University's [School of Public Policy & Administration](#), which captures public service spending by type of contracts, and the total increases in spending under amendments to those contracts. It reports that in 2021-2022 alone, the federal government spent an estimated \$15.1B on contracts across core public service departments and agencies (excluding National Defence, special commissions, and the legislative branch).

The study discovered that of the 283,203 active contracts since the start of the 2017-2018 fiscal year, 44,897 (or 16 percent) had at least one amendment made to the original contract. This would indicate a change in contract specifications usually, which often results in increases to the original contract price. Of the 44,497 amended contracts, the average increase in contract price was 167 percent, which represents a total average increase of \$26.4B over the original contract values.

Table 1 shows the type of work performed under the contracts since 2018/2019, with the largest expenditures being made on information technology projects, followed by facilities and construction projects and professional services contracts. Not surprisingly, medical contracts showed the highest increases year-over-year due mainly to Covid-19 programming.

Table 1: Categories of Procurement Spending (2018/19 to 2021/22)

Category	2018-2019	2019-2020	2020-2021	2021-2022
Information technology	\$3,540,833,718.98	\$3,706,786,176.88	\$4,245,762,732.83	\$4,573,339,105.45
Facilities and construction	\$3,936,010,508.58	\$4,037,474,605.51	\$4,359,725,279.57	\$3,660,825,640.73
Professional services	\$2,450,662,177.31	\$1,939,788,037.02	\$2,328,238,437.64	\$2,597,757,527.92
Medical	\$456,651,080.72	\$498,533,357.50	\$3,973,276,754.67	\$2,078,158,336.09
Transportation and logistics	\$1,052,238,219.12	\$1,875,405,276.77	\$899,640,474.46	\$832,173,066.67
Industrial products and services	\$443,066,610.10	\$457,705,887.51	\$651,647,062.77	\$446,166,986.05
Security and protection	\$287,878,948.42	\$262,287,956.72	\$285,845,281.52	\$362,086,183.29
Office management	\$256,650,205.00	\$321,190,010.62	\$329,142,617.95	\$293,236,365.82
Human capital	\$109,432,001.61	\$117,469,942.88	\$120,393,837.68	\$137,578,616.99
(Other)	\$51,486,737.30	\$49,603,312.45	\$58,793,166.10	\$62,684,985.81
Travel	\$56,035,490.39	\$44,790,670.85	\$60,968,948.15	\$39,034,436.66

Table 2 provides a snapshot of those departments and agencies that spent the most on procurement. Again, not surprisingly, those departments with the greatest capital assets (excluding National Defence) spent the most to maintain critical infrastructure. It should also be noted that while Public Services and Procurement Canada spends the most, it is also purchasing on behalf of other core departments and agencies, particularly on federal assets such as buildings, fleets, and technology. These tables are interactive on the website, meaning that there are layers of data available by following the links to each of the departments and agencies.

Table 2: Procurement Spending by Department/Agency (2018/19 to 2021/22)

Department	2018-2019	2019-2020	2020-2021	2021-2022
Public Services and Procurement Canada	\$4,076,441,912.97	\$4,123,266,210.51	\$3,842,798,649.88	\$3,736,593,468.92
Shared Services Canada	\$1,740,722,610.07	\$1,803,620,690.98	\$1,918,430,833.19	\$2,097,845,943.38
Public Health Agency of Canada	\$62,736,105.93	\$94,980,340.81	\$3,916,152,937.05	\$2,054,983,989.44
Fisheries and Oceans Canada	\$1,053,937,727.61	\$1,922,254,676.82	\$1,511,852,992.37	\$846,064,509.54
Royal Canadian Mounted Police	\$602,216,596.47	\$540,282,809.52	\$580,997,395.33	\$606,635,413.65
Employment and Social Development Canada	\$634,580,305.40	\$271,401,566.67	\$471,509,360.60	\$589,280,926.26
Correctional Service of Canada	\$517,417,959.72	\$489,295,157.61	\$505,134,853.89	\$483,236,312.27
Immigration, Refugees and Citizenship Canada	\$252,758,361.95	\$303,999,419.38	\$333,591,565.71	\$401,117,470.11
Canada Border Services Agency	\$291,744,822.10	\$362,677,175.12	\$386,138,298.96	\$398,191,463.80
Health Canada	\$173,733,905.20	\$170,989,713.97	\$370,786,456.51	\$341,018,921.17

The President also requested detailed information about the nature of the federal procurement regime, its processes, key players participating in procurement, and where procurement projects generally tend to fail. This information was needed for Treasury Board ministers and senior public service officials, who might not be as familiar as others with the procurement arrangements across government. Such information might also provide some insights on how to go about addressing the questions the President was asking and recommending needed changes to avoid these problems.

FEDERAL PROCUREMENT GOVERNANCE

The [Directive on the Management of Procurement](#) (effective date: 13 May 2021) is the main policy framework that “ensures the procurement of goods, services and construction obtains the necessary assets and services that support the delivery of programs and services to Canadians, while ensuring best value to the Crown.” Section 3 of the directive highlights the objectives and expected results, which are:

- 3.1: The objective of this directive is that procurement of goods, services and construction obtains the necessary assets and services that support the delivery of programs and services to Canadians, while ensuring best value to the Crown.
- 3.2: The expected results of this directive are as follows:
 - 3.2.1 Procurements are managed in a manner that enables operational outcomes and demonstrates sound stewardship and best value consistent with the Government of Canada’s socio-economic and environmental objectives;
 - 3.2.2 Procurement decisions are based on risk management practices, performance information and an assessment of full life-cycle costs whenever possible;
 - 3.2.3 Effective governance and oversight mechanisms are in place to support the management of procurement;
 - 3.2.4 Opportunities for collaboration are considered in procurement decisions;
 - 3.2.5 Workforce capacity for the management of procurement is developed, maintained and commensurate with organizational need; and
 - 3.2.6 Actions related to the management of procurement are fair, open and transparent, and meet public expectations in matters of prudence and probity.

Section 4 of the directive sets out the responsibilities of:

Senior officials for the management of procurement in departments/agencies:

- Managing the departmental procurement management framework;
- Facilitating collaboration between contracting authorities and business owners;
- Supporting improvement of government-wide procurement tools and practices;
- Ensuring appropriate competencies for procurement are built and maintained; and
- Providing advice to deputy heads on implementing the procurement management function, performance of the procurement function, and procurement plans).

Business owners:

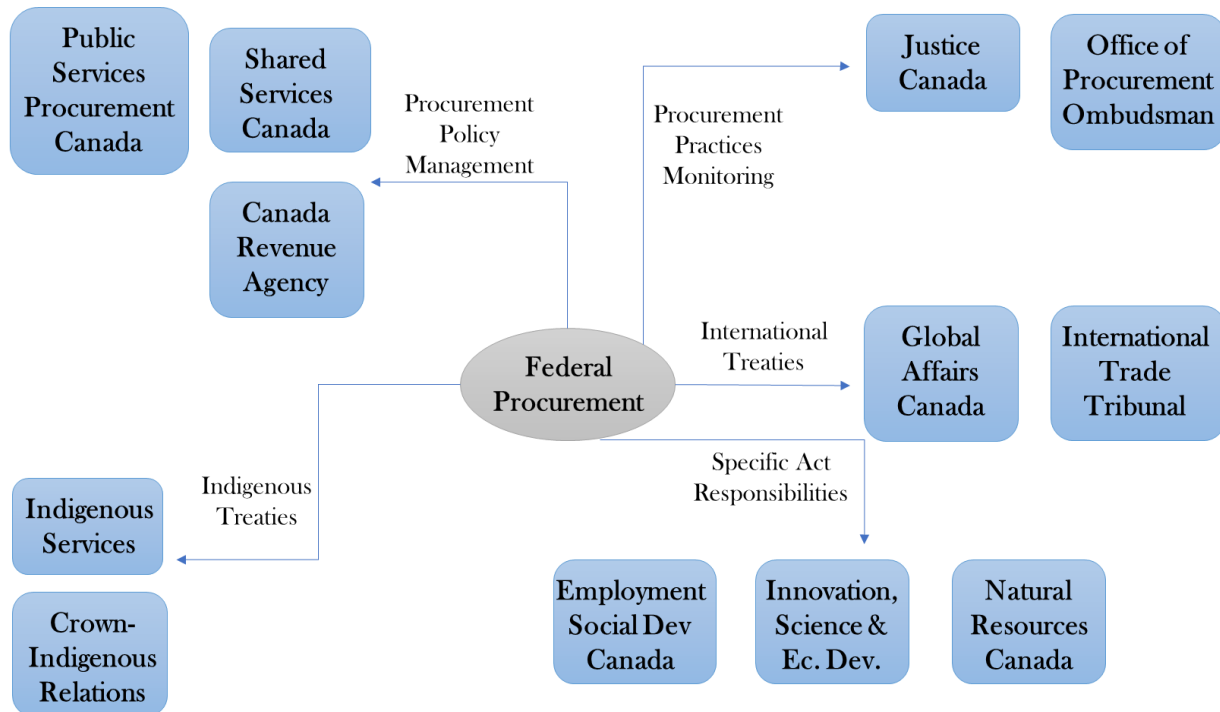
- Industry engagement and market analysis;
- Employer-employee relations;
- Contract management and documentation;
- Contractor liability and indemnification; and
- Disclosure of wrongdoing).

Contracting Authorities within Departments and Agencies

- Responsibility for ethical procurement processes;
- Industry engagement and market analysis;
- Solicitation and bid evaluation;
- Contracting approvals;
- Record-keeping on specific projects;
- Financial interests of the Crown;
- Limitation of contractor liability and indemnification;
- Official languages;
- Data management, reporting and disclosure; and
- Dispute resolution.

Various departments have responsibilities for the effective management and implementation of federal procurement under Section 5 of the directive as shown in Figure 1.

Figure 1: Departmental/Agency Responsibilities for Federal Procurement



[Public Services and Procurement Canada](#) (PSPC) plays a central role in the daily operations of the Government of Canada. It is the federal government's main banker, accountant, central purchasing agent, linguistic authority, and real property manager. Federal contracting is governed by the Government Contract Regulations (GCRs), which regulates procurement by federal government entities. These GCRs set out conditions of contract entry, requirements relating to bidding and contract security, and the terms for procurement contracts.

The federal government has made significant efforts recently to streamline and improve the procurement process. Indeed, the [Smart Procurement Initiative](#) is intended to modernize and improve the efficiency of the federal procurement process based on best practices from various public sectors around the world, including the adoption of digital technologies, improving transparency, and promoting sustainability. There are four key elements of the federal approach: early engagement; effective governance; independent advice; and benefits for Canadians.

THE FEDERAL PROCUREMENT PROCESS

Public procurement is defined as the process of acquiring goods and services from a third-party vendor through direct purchasing; competitive bidding; or tendering. The process provides certainty in the quality, quantity and integrity of the process as well as the final goods or services expected. Federally, procurement is seen increasingly as a major cost factor into supporting government infrastructure such as: buildings, roads, airports and other common assets used by public sector workers and citizens; defence assets such as combat ships and fighter jets; information technology and management systems; people management systems used to acquire temporary or specialized support staff; benefits payment systems, medical services support systems; asset maintenance.

There are important differences between direct, indirect and service procurements:

- Direct procurement refers to the purchase of inputs that a public office needs to produce its end product such as the raw materials for manufacture, supporting labs with materials it needs to operate (e.g., materials to operate a nuclear facility);
- Indirect procurement refers to the services or inputs that are not directly used for manufacture but are essential for routine operations, such as office supplies, facilities management, travel, maintenance service, etc. These would be important when considering the management of military bases, office towers, government labs, etc.; and,
- Service procurements refer to procuring and managing contingent workforces and consulting/advisory services. These include software subscriptions and systems support services (e.g., supporting database systems development, HR and payroll services). These also include: professional support and advisory services for policy advice; audit and evaluation services; risk management profiling; and myriad other professional services such as computers and other digital infrastructure maintenance; and, professional advice and expertise provided through various types of competitive and non-competitive contracting services as needed by departments and agencies.

Federal procurement processes must pay close attention to key process design such as:

- Adherence to fairness and competitiveness through standardized policies and instruments administered by TBS;
- Adherence to openness and transparency by instituting policies that provide for the identification of needs and contractor selection;
- Clearly identified responsibilities and accountabilities of the contracting authorities and vendors;
- Clearly outlined expected professional behaviours that underlie the nature of the contracting relationship through codes of conduct; and,
- Clearly delineated supply rules that are subject to Parliamentary approval). All federal contracting regulations are subject to requirements under the [Financial Administration Act](#) (Registration 1987-06-30).

There are three main phases in the Canadian federal procurement process to establish a major procurement project:

1. [Planning procurement](#): the buyer plans the procurement, which means drafting a strategy, developing solicitation documents, and setting out merit criteria and a control framework;
2. [Bidding and contract award](#): the procurement is posted, bids are taken, proposals are adjudicated, and a supplier(s) is selected. The contract is awarded according to agreed terms and conditions;
3. [Contract management and close-out](#): this is where contracts are implemented with arrangements made on the part of the contracting authority to manage the contract(s), performance systems are designed and implemented, and payments are made according to accepted terms and conditions.

Each of these phases is broken out in detail by the following steps:

1. Identification of Need:
 - Contracting authorities identify their specific requirements for goods, services, or construction projects; Assess whether the procurement is for a one-time purchase or serves an ongoing need.
2. Planning and Strategy:
 - Contracting authorities develop a procurement strategy, including determining the procurement method (e.g., competitive tendering, negotiated contracts, or standing offers).
 - They also assess the level of risk, market conditions, and any potential socio-economic considerations.
3. Market Research:
 - Government organizations conduct market research to identify potential suppliers and understand market conditions. This helps in determining the feasibility of procurement in addressing specific needs and ensuring a competitive marketplace.

4. Request for Information (RFI):
 - In some cases, government entities issue RFIs to gather information from potential suppliers/vendors regarding their capabilities, interest, and potential solutions.
5. Request for Qualifications (RFQ) or Request for Proposals (RFP):
 - A formal solicitation is released, either as an RFQ or RFP, outlining the specific requirements, evaluation criteria, and terms and conditions.
 - Suppliers respond with their qualifications (RFQ) or detailed proposals (RFP).
6. Evaluation and Selection:
 - Evaluation committees assess supplier submissions based on predetermined criteria. The selection process considers factors such as price, technical capabilities, past performance, and other relevant criteria.
7. Contract Award:
 - The successful supplier/vendor is awarded the contract, and negotiations may take place to finalize terms and conditions. Contract award information is typically made public to ensure transparency.
8. Contract Management:
 - The government monitors and manages the performance of the contract throughout its duration against negotiated indicators and measures. This includes ensuring that the supplier meets the terms and conditions, delivering quality products or services, and addressing any issues that may arise.
9. Reporting and Accountability:
 - Contracting authorities are held accountable for their procurement decisions and provide reports on procurement activities.
10. Appeals and Dispute Resolution:
 - Vendors have the right to challenge procurement decisions through a formal appeal process. Mechanisms for dispute resolution are in place to address conflicts between government entities and suppliers.

TYPICAL REASONS A PROCUREMENT ARRANGEMENT FAILS

If federal contracts are going to fail, they will do so for one or more of the following reasons:

1. **Poorly Defined Requirements:**
 - The government's initial project requirements were vague and subject to interpretation, leading to confusion among potential bidders. This lack of clarity made it challenging for contractors to submit accurate and competitive proposals.
2. **Inadequate Risk Assessment:**
 - The government failed to conduct a thorough risk assessment of the project. Unforeseen challenges, such as technical complexities or changes in project scope, emerged during the implementation phase, leading to delays and cost overruns.

3. Insufficient Resources Allocation

- When resources are too tightly allocated at the outset, larger procurement initiatives especially in IT can suffer from inadequate attention being given to particular contract elements. These could cause problems down the line when a product is tested for implementation, for example.

4. Lack of Effective Communication:

- Ineffective communication between the government and the selected contractor led to misunderstandings about project milestones, expectations, and deliverables. Clear and consistent communication is crucial for the success of complex projects.

5. Insufficient Due Diligence on the Contractor/Vendor:

- The government may not have conducted sufficient due diligence on the selected contractor, leading to issues such as financial instability, inadequate expertise, or a history of failed projects. Proper vetting of contractors is essential to ensure they can meet project requirements.

6. Inadequate Project Management:

- Poor project management practices, such as inadequate oversight, lack of project monitoring, and ineffective change management, contributed to project delays and failures.

7. Legal or Compliance Issues:

- Legal or compliance issues, such as contract disputes, procurement irregularities, or regulatory challenges, may have arisen during the course of the project, leading to its failure.

RECENT EXAMPLES OF CONTRACTING PROBLEMS

As part of the President's request, information was needed on representative examples of contracts that experienced various management or other challenges. One contract that caused great angst for the federal government was the Phoenix Payroll System. This was a failure of internal and vendor mismanagement. A second example, the Business Modernization Initiative, shows internal miscoordination and incoherence in the management of component procurement projects under the overall initiative.

Phoenix Payroll System

The Phoenix Payroll System, introduced in 2016, was intended to modernize the federal government's outdated payroll process by consolidating the various independent payroll systems contained within the departments and regions into a centralized payroll process for almost all federal government employees housed in one unit. However, it encountered significant issues, leading to one of the largest payroll-related crises in Canadian government history.

The Phoenix Payroll System aimed to create a more efficient and cost-effective payroll system for federal public servants. Planning was initiated in 2009 and it went live in February 2016 despite

recommendations from some senior officials that a pilot period was needed to test its efficacy. Approved funding for the system's replacement was budgeted at approximately \$310M in July 2009 with costs increasing resulting from poor implementation. The [Auditor General](#) confirmed in May 2018 that the new system went live in June 2015 despite the cancellation of the pilot test. After the system's rollout in 2016, serious problems plagued the system, including improper training of employees now located in the newly constructed and consolidated payroll centre located in Miramichi, New Brunswick.

In May 2019, plans were made to replace the problematic Phoenix system with a new payroll system. Three companies competed: Ceridian (based in Minnesota); SAP (a German multi-national company specializing in management software); and, Workday (based in California specializing in cloud-based solutions software). Ceridian was awarded the contract in 2021 at a total value of \$16.9M. Since 2019, costs to upgrade Phoenix, repair various problems in the software, and to [stabilize the system](#) skyrocketed to almost \$2.6B as of April 2022.

[Key failures](#) in the management of the Phoenix Payroll System contracting initiative, included but were not limited to:

- **Accountability Problems:** lack of a systemic and systematic framework for accountability for the management and spending of public funds; lack of transparency for managing the contract on the vendor side of the relationship, including a workplace culture that enabled wasteful spending; and, inadequate protection from reprisals for those who reported wrongdoing. IBM was considered the only vendor capable of completing this project in 2011, which was a key problem resulting in cost overruns of 3,200 percent above the original contract value of \$5.7M (rising to \$285M before IBM's contract was terminated).
- **Payroll Errors:** After the rollout, numerous issues emerged with the Phoenix system, leading to widespread payroll errors. Employees experienced problems such as underpayments, overpayments, and delays in receiving their pay.
- **Inadequate Testing:** The system was not adequately tested before its launch in 2016. Many issues, particularly related to complex pay calculations and data conversion, were not identified until employees started using the system.
- **Communication Breakdown:** There was a lack of effective communication between government departments, the project team, and employees affected by the payroll errors. This exacerbated the challenges in resolving issues promptly.
- **Resource Constraints:** The system's failure placed a strain on government resources, requiring additional staff and financial resources to address the widespread pay discrepancies.
- **Cultural Complacency:** The 2018 Auditor General's report painted the contract as an "incomprehensible failure" showing serious senior management problems, including not telling the truth about the contract failures to political masters, and burying problems and ignoring advice from rank-and-file public servants related to implementation.

- **Resource Challenges:** The system's failure placed a strain on government resources, as additional staff and financial resources were needed to address the widespread pay issues. This had a broader impact on government operations and priorities.

Business Modernization Initiative

In 2010, the federal government identified a need to update its information technology systems for delivering its services to the public, including computer applications (software programs) and infrastructure, such as hardware and data centres. Some systems have been in use since the early 1960s and are at risk of failure, which could disrupt the delivery of Old Age Security (OAS), Canada Pension Plan (CPP), or Employment Insurance (EI) benefits or the issuing of income tax refunds.

Approximately \$136B is delivered annually in EI, OAS and CPP benefits as of 2019-2020. Of this amount, OAS accounts for \$59B in support to 6.7 million seniors in 2020-21, which is expected to increase to \$105B annually serving 9.4 million seniors by 2030. In total, federal IT systems processes 170 million payments per year, including 8.9 million receiving Canada Emergency Response Benefits (CERB) between 2020 and 2022. These hastily designed and implemented CERB benefits placed a strain on an already over-burdened payments system.

In addition to the sheer volume of payments, citizen needs and expectations are changing rapidly, accelerated by the Covid pandemic. Payments need to be processed more efficiently and the menu of payment disbursement options to be expanded from paper cheques. With the increased volume of payments, legacy systems cannot keep pace, and the risk of system failure and errors in payments increase exponentially over time. In addition, as systems age and older public servants retire, the number of trained people on such systems diminishes rapidly. Equally important, these legacy systems cannot easily track eligibility for government programming thereby increasing the likelihood for unclaimed benefits by Canadians over time (i.e., more than \$2.5B in unclaimed benefits since 2015/16).

Legacy IT systems in Canada have been studied at the federal level since 1999 and calls for upgrading systems such as OAS payments which is over 60 years old have been ignored since the 2015 [Auditor General](#) report calling for significant investment in replacing aging legacy IT systems. The Treasury Board Secretariat has also called for significant hardware and software investment since 2005. Since 2011, Shared Services Canada holds principal responsibility for systems upgrades, and as of 2018 established the Workload Migration Program with the objective of transitioning older systems to cloud-based platforms. The federal government's 2021-2024 Digital Operations Strategic Plan provides a detailed strategy for replacing aging systems. The plan is premised on four phases or tranches:

- Tranche 1 (2021 to 2024): building a foundation, delivering initial benefits and setting up a new client experience for selected areas;
- Tranche 2 (2024 to 2026): expanding the modernized client and employee experience, building on capabilities of the system;
- Tranche 3 (2026 to 2028): rolling out new capabilities to final benefit types;
- Tranche 4 (2028 to 2030): full realization of program outcomes.

In its [2023 report](#), the Auditor General concluded that there has not been a coherent strategy for IT systems upgrading for more than 24 years with TBS showing little leadership on systems modernization. More importantly, the OAG pointed to a lack of leadership on the part of TBS for effective oversight of high-risk information technology projects spread across several departments and agencies. As of May 2023, TBS monitored only 22 high-risk projects (planned cost of \$5.1B) out of the approximately 2,100 active projects (with total planned costs of \$44B).

Equally important, the OAG indicated that the Treasury Board Secretariat lacked a funding plan for departments and agencies with inadequate funding bases to upgrade their aging systems, especially smaller departments that lacked both financial resources and trained personnel to implement and manage such projects. Most departments and agencies told the OAG that although they had obligations to upgrade dated systems, the funding mechanisms and funding available were highly inadequate. Funding was often only available for one-year terms rather than multi-year, which tends to be the norm in large system upgrades.

THE CHALLENGE

There have been increasing complaints about the federal government management of large IT projects and a corresponding rise in challenges in the procurement process. These “[bid challenges](#)” include problems related to the evaluation of bids as in the case of *CGI v. Canada Post* or issues related to honouring standing offer agreements (i.e., agreements that promise a certain amount of work over a specific duration). This rise in dissatisfaction has caused the President of the Treasury Board to realize that beyond the problems of managing individual contracts, there are fundamental questions of fairness being raised about how contracts are evaluated and administered in the federal procurement system.

The recent ArriveCan app debacle raised questions not only about the mismanagement of the procurement contract but also about the unfairness of certain known vendors receiving preferential treatment by public servants awarding these contracts. This case has been raised in Parliament as indicative of a “system that is broken” not only in terms of cost overruns, but of a procurement system in general that is cracking under the weight of deferred investments in public service capability, technology and systems management. The President of the Treasury Board is left to wonder whether the many problems being observed are less project specific and more systemic in nature. Are these problems being observed with government policy? Are they cultural? That is, can some of these problems be traced to a lack of transparency, oversight and due diligence or worse, general malaise? Is there even a central plan to repair the system?

The Auditor General suggests that there does not appear to be a centrally-coordinated plan in place other than at a very broad level of [digital transformation](#). Underinvestment in people, processes and competencies also appears to be a major issue, which has manifested in increased reliance on external consultants to keep the procurement system working. Even more concerning to the TB President is the fact that despite record levels of new hires in the federal public service targeted at increasing digital acuity, there does not appear to be a commensurate return in the form of improved Public Service competencies around procurement or any other function for that matter.

In sum, the President of the Treasury Board is facing a great deal of pressure from the Prime Minister and cabinet to find a repair for this growing and multifaceted procurement management

problem that has manifested across the federal Public Service. She knows that there may not be any one single solution to be found, but she is willing to listen to any ideas that provides clear direction for how to move ahead when confidence in the system is low. Given that expenditures in general are increasing rapidly across most department and agency responsibility areas for large-scale IT procurement projects, evidence is mounting that the current government has lost control of the public purse to manage these costs.

YOUR TASK

The President of the Treasury Board has circulated a request on behalf of the Cabinet ministers on the Treasury Board to all deputy ministers and heads of all procurement units in departments and agencies, including Shared Services Canada (SCC) and Public Services and Procurement Canada (PSPC) to support an exploratory internal management review of the federal procurement system as it relates to high-risk and large-scale procurement projects.

Through this review, ministers on the Treasury Board are attempting to acquire knowledge into the nature of the various internal management problems befalling the federal procurement system from the perspective of departments and agencies (excluding the legislative branch and National Defence). Although the brief (i.e., this case study paper) submitted to the ministers provides initial insights into recent project failures according to Auditor General reports and internal departmental reviews and evaluations, the brief falls well short of giving direction on two key needs of Treasury Board ministers:

1. How to define work and implement a formal review of the procurement system that better understands the internal management problems facing departments and agencies and will lead to a more efficient and effective process in future; and,
2. What can be done in the short term to assume some semblance of control and accountability over federal high-risk and large-scale procurement projects that have been vilified and criticized in the media, and which are the subject of investigation in current parliamentary inquiries.

Treasury Board ministers, therefore, have directed all departments and agencies to create working groups to explore these two main needs and to present to a committee of senior Treasury Board Secretariat and representative departmental and agency officials on February 24th, 2024 at a time to be arranged by the Secretariat. Each of the teams is working independently, but it is expected that department and agency working groups will take an all-of-government perspective in their work and provide a presentation that is as comprehensive as it can be given the time constraints imposed by Treasury Board ministers. The review committee will then pose questions to each of the working groups as to the rationale of the advice provided on the two key needs, and the feasibility of the options presented. It is expected that the committee would then meet to discuss the best ideas and deliver a report to Treasury Board ministers later.

To further guide the work of the departmental and agency working groups, the review committee posed more specific questions *as guide* under each of the two key needs. It is suggested that as much as practicable that the working groups address these as appropriate and/or offer other advice that may be pertinent in their view.

The questions the review committee are interested in are as follows:

1. How to define work for a formal review:
 - a. What is the objective of such a review? How should the review be framed?
 - b. What should be reviewed? Policies and directives, systems, processes, procedures, competencies, and training? At what level of analysis (i.e., senior officials, contracting authorities, business owners/vendors)?
 - c. Who should be carrying out this review both centrally (if appropriate) and at the departmental/agency level (if appropriate)?
 - d. How should this review be coordinated to ensure coherence?
 - e. What is the appropriate timeline for such a review given external factors and pressures?
 - f. What is the budget for such a review? Who should be paying for this review?
 - g. What is an appropriate internal communications plan that could be used to support internal department and agency work?

2. Actions to take in the short-term to assume control over current projects:
 - a. What sort of control can be exercised by senior federal officials in the short-term? What might accountability look like from the perspective Treasury Board ministers? How short is the short-term?
 - b. Who would be responsible for exercising that control? Accountability?
 - c. What are the available options for exercising control? Accountability?
 - d. What would a plan for exercising control and accountability look like? With what objectives in mind?
 - e. What sort of budget would be needed to implement a proposed plan?
 - f. What would a communications plan look like for federal departments and agencies? Others?

The panel has requested a comprehensive PowerPoint presentation that does not exceed 15 slides (annexes are permitted over and above this number). If you wish to add notes that are embedded in each of the slides, this is also acceptable as the panel will be partially assigning value to your presentation. Please note that the review committee is not looking for a detailed presentation as this is simply not feasible in the time provided. However, it is interested in a clearly scoped and practical plan on each of the two main questions.

Because the panel has a hard deadline to submit a final report to the President of the Treasury Board, your presentation is due no later than 5 pm EST on Friday, February 23rd. These should be submitted to Karen Jaster-Laforge at Karen.jaster@uregina.ca so that the presentations may be coordinated. Your presentation should be submitted in both PowerPoint and PDF versions (in order to preserve formatting).