

**Management Action Plan
Core Control Audit of the Western Economic Diversification**

Western Economic Diversification Canada opinion of the Audit Report:

*Please indicate here that the organization has reviewed the findings and recommendations and that as far as the scope of this audit is concerned these accurately reflect the state of control over financial management, contracting, travel & hospitality, transfer payments and human resources.
(Please note, in case of disagreement, please contact us at your earliest convenience)*

Audit Entity Sign Off on the Management Action Plan

Daphne Meredith
Deputy Head
Western Economic Diversification

Signature

Date

Recommendations	Priority	Response and Planned Actions	Responsibilities <i>(position title responsible for the action)</i>	Timelines
<p>1. Ensure that a vehicle logbook is used to record usage on a daily basis, and a fleet management information system is in place to track maintenance, operating and repair costs related to fleet management.</p>	<p>Medium</p>	<p>Response:</p> <p>We agree with the recommendation.</p> <p>Planned Actions:</p> <p>The audit found deficiencies in the fleet management records for the three cars owned and maintained by the department. It is noted that the total annual expenditures on these cars in 2013-14 was \$3,265. Given that there are only three cars, the management response in this area is straightforward:</p> <ul style="list-style-type: none"> • Logbooks for WD’s three fleet vehicles will be redesigned to comply with policy. • A system has been 	<p><i>Executive Director, Finance & Corporate Management</i></p>	<p>Complete</p>

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		<p>created to centralize maintenance, operating and repair costs related to fleet management. The system includes annual record reviews by the Manager of Managerial Accountability and Planning.</p>		
<p>2. Ensure that proper documentation is retained on file for acquisition cards to substantiate their issuance, approval, modification and conditions of use.</p>	<p>High</p>	<p>Response: We agree with the recommendation.</p> <p>Planned Actions: At the time of the audit responsibility for acquisition cards was dispersed among the regions which could have led to a lack of consistency in documentation being retained regarding the issuance, approval,</p>	<p><i>Executive Director, Finance & Corporate Management</i></p>	<p>November 2014</p>

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		<p>modification and condition of use of acquisition cards.</p> <p>Subsequently, in 2013-14, WD completed the centralization of the procurement function and provided training to all acquisition cardholders as regions were brought onto the new system from December 2012 to June 2013. These measures are expected to improve compliance in this area.</p> <p>The Manager of Corporate Administration will conduct a review of cardholder administration files to be completed by the end of October 2014 to ensure the following are on each file:</p> <ul style="list-style-type: none">• Employee Account Request Form		

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		<ul style="list-style-type: none">• Employee Acknowledgement of Receipt, Responsibility and Obligation of Acquisition Card, and;• Request to Modify Employee Account Information <p>In order to provide perspective on whether the centralized approach and training has improved compliance WD's Financial and Corporate Management Branch will sample Acquisition Card files by the end of March 2015 and again by the end of October 2015. WD's internal control monitoring plan will be adjusted to reflect these timelines.</p>		

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		WD's ongoing training will be strengthened to address the recommendation and remind staff of requirements.		
<p>3. Ensure that:</p> <ul style="list-style-type: none"> • Appropriate procurement vehicles are chosen and used in compliance with their terms and conditions; • Statements of work are developed and documented prior to the contract award; • Non-competitive contract files contain justification for sole source in accordance with Section 6 of the <i>Government Contracts</i> 	High	<p>Response:</p> <p>We agree with the recommendation.</p> <p>Planned Actions:</p> <p>This is the area of greatest focus in terms of effecting substantial improvement of management practice. While management is satisfied with the administration and disclosure of large contracts, there are deficiencies noted, particularly in the administration of small contracts, which will be addressed.</p>	<i>Executive Director, Finance & Corporate Management</i>	February 2015

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<p><i>Regulations;</i></p> <ul style="list-style-type: none"> • Supporting documentation for best-value analysis is kept on file; • Security requirements are assessed and respected prior to the start of work; • The bid selection method and evaluation criteria are clearly outlined in the bid solicitation document for competitive contracts before a request for proposal is issued; • The evaluation of proposals and contractor selection are conducted in accordance with the 		<p>Even in instances where the record shows that competitive processes have been used for small transactions, WD recognizes that it is important to have on file all additional supporting documentation regarding the process and criteria used.</p> <p>In September 2013 WD completed the centralization of procurement and contract management which has a significant impact on the administration of small contract administration. This centralization is enhancing the scrutiny of contracting administration to ensure consistent policy compliance. New procedures have been</p>		

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<p>pre-established criteria as stated in the request for proposal and in an open, fair and transparent manner;</p> <ul style="list-style-type: none"> • The bid evaluation is documented on file, along with an evaluation report signed by a minimum of two clearly identified evaluators; • Approval of the contract is performed prior to the receipt of goods and services; • A copy of the contract signed by someone who has appropriate delegated authority is retained on file; • Supporting evidence 		<p>developed for the centralized procurement unit to ensure appropriate procurement vehicles are chosen:</p> <ul style="list-style-type: none"> • statements of work are developed before contracts are awarded • best value is documented • security requirements are met prior to the start of work bid criteria are clearly outlined and fairly assessed, and • files are reviewed to ensure proper documentation and signatures by appropriately delegated officials. <p>One of the new instruments introduced by WD to facilitate this enhanced diligence is the</p>		

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<p>of receipt of goods or services is on file;</p> <ul style="list-style-type: none"> • Proactive disclosures of contracts over \$10,000 are posted on WD’s website; and • PAYE is properly set up and identified. 		<p>"Request for Goods/Service form”, which must be submitted to the central procurement team for review and analysis to ensure that the appropriate procurement vehicle is chosen, that there is a clear Statement of Work and that, for non-competitive procurements, a rationale is on file as required by the policy.</p> <p>In addition, the Manager of Corporate Administration will develop a checklist for staff to better assess that all required documents are on file.</p> <p>In addition the Manager of Corporate Administration will work with regions and the OCG</p>		

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		<p>to identify areas where policy interpretation is required, particularly the requirement to use a contracting vehicle rather than an acquisition card for small dollar value purchases.</p> <p>It is recognized that, while the structure and system has recently been put in place to meet policy compliance objectives, structure and system alone will not succeed without adequate resourcing and training of staff. Accordingly, training was provided to all staff involved in the procurement and contracting function in May and June 2013. A Help Desk has been established to assist staff working in all branches of</p>		

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		<p>WD to identify the appropriate procurement vehicle and track procurements.</p> <p>The Manager, Managerial Accountability and Planning will sample contracting files in January 2015 to ensure the new system is working and training has been effective in addressing compliance. Furthermore, WD's internal monitoring plan will be adjusted to incorporate a greater focus on procurement to provide management with information on whether deficiencies have been addressed in a sustained way.</p> <p>Finally, with respect to contracts having a value</p>		

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		<p>of over \$10,000, WD uses a contract review committee to review procurements including ensuring pro-active disclosure of these contracts. The one contract identified in the audit as not having been pro-actively disclosed related to an annual subscription (a membership in an organization with substantial benefits to the department) which was renewed, without being reviewed by the committee nor proactively disclosed. This contract will be disclosed for the next reporting period (by October 31, 2014) to ensure transparency. Further, WD management is now aware that subscriptions are subject</p>		

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		to the requirements of the contracting policy.		
<p>4. Ensure that:</p> <ul style="list-style-type: none"> • Justification is provided when travel is approved after the start of the travel period; • Employees are reimbursed for meals and incidentals at applicable limits for only the period related to government business; • Employees select hotels from the pre-approved government supplier list, where applicable, and justification is kept 	Medium	<p>Response:</p> <p>We agree with the recommendation</p> <p>Planned Actions:</p> <p>WD management will address many of the recommendations with the introduction of new travel management systems. Perhaps the most significant is WD's introduction of the PWGSC Shared Travel System (STS) in April 2014. The STS system includes the following features:</p> <ul style="list-style-type: none"> • STS ensures meals and incidentals are at the applicable rates for the period of the travel 	<p><i>Executive Director, Finance & Corporate Management</i></p>	November 2014

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<p>on file for cases where the limit identified in the <i>Directive on Travel</i> is exceeded or when the hotel is not included on a list; and</p> <ul style="list-style-type: none"> The departmental travel card should be used to prepay travel arrangements. 		<p>claim.</p> <ul style="list-style-type: none"> STS alerts the traveller to view the Accommodation and Car Rental Directory prior to selecting a hotel or rental vehicle. Employees will be required to state whether the hotel is on the listing or justify why an alternative not in the directory is being selected as a more cost-effective choice. <p>In addition the Manager Corporate Accounting and Policies will develop procedures to ensure:</p> <ul style="list-style-type: none"> The traveller is required to enter comments into STS to justify itinerary changes. The traveller is 		

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		<p>required to enter comments into STS to justify any itinerary changes required to accommodate unanticipated travel circumstances.</p> <ul style="list-style-type: none">• The traveller is required to document the rare instances of post approval of travel. <p>Also important to addressing travel directive compliance issues identified in the audit is the department's centralization of accounting operations. With this centralization travel expenditures are subject to a risk based pre-payment review as required by the Directive on Account Verification. Deficiencies found by the</p>		

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		<p>Corporate Accounting and Policies Unit through this review will be tracked to inform additional training for staff and management on how to document travel in a policy compliant way.</p>		
<p>5. Ensure that documentation that supports hospitality events is retained on file.</p>	<p>High</p>	<p>Response: We agree with the recommendation.</p> <p>Planned Actions: Hospitality expenditures have been reduced significantly in the department. In 2013-14 total hospitality expenditures were \$6,240 which is an 80 percent decrease over the past year. The recently-established centralized accounting unit is tasked with checking hospitality-related documentation to</p>	<p><i>Executive Director, Finance & Corporate Management</i></p>	<p>Complete</p>

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		ensure the recommendation is addressed and will provide periodic reminders and training for staff on a targeted basis.		
6. Ensure that designated senior-level Government of Canada hospitality expenses are appropriately coded for purposes of proactive disclosure on WD's website.	High	<p>Response:</p> <p>We agree with the recommendation.</p> <p>Planned Actions:</p> <p>The audit identified one \$37 transaction that was coded incorrectly and as a result was not identified for proactive disclosure. The transaction was disclosed on September 30, 2014. Monitoring will review for coding errors and if identified, will recommend the necessary steps to correct.</p>	<i>Executive Director, Finance & Corporate Management</i>	Complete

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<p>7. Ensure that performance agreements and appraisals are signed and dated by concerned parties.</p>	<p>Medium</p>	<p>Response:</p> <p>We agree with the recommendation.</p> <p>Planned Actions:</p> <p>WD has a strong performance management system including annual commitments, related learning plans, and mid-year and year-end evaluations. As noted by the audit, however, documents are not always signed and dated and one form did not contain signature blocks to document the discussion and acknowledgement of performance objectives at the beginning of the year.</p> <p>Beginning 2013-14 a government wide Performance Management</p>	<p><i>Executive Director, Finance & Corporate Management</i></p>	<p>April 2015</p>

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		<p>System was introduced which will provide exception reporting and ensure that all performance agreements, learning plans and appraisals are signed and dated by all concerned parties. This is currently in place for all non-EX employees and is expected to be in place for EX employees for 2015-16.</p> <p>For the 2014-15 year, completed EX Performance Agreements, learning plans and appraisals will be provided to the Chief of Compensation Services who will ensure all agreements are signed and dated as part of the mid-year review process currently underway.</p>		

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8. Ensure that employees' departure forms are appropriately completed by applicable authorities.	Medium	<p>Response:</p> <p>We agree with the recommendation</p> <p>Planned Actions:</p> <p>Departure forms involve a number of functions including Human Resources and Security. To ensure consistency, the Director of Human Resources will assume responsibility for coordinating departures.</p> <p>In addition, delegated managers will be reminded of their role in the process and training will be provided.</p> <p>A review of departure forms will be done by March 2015 and WD's internal control</p>	<p><i>Executive Director, Finance & Corporate Management</i></p>	<p>March 2015</p>

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		<p>monitoring plan will be adjusted to incorporate this review.</p>		
<p>9. Ensure that supporting documentation is on file and in accordance with the terms and conditions of the funding agreement.</p>	<p>High</p>	<p>Response:</p> <p>We agree with the recommendation.</p> <p>Planned Actions:</p> <p>Although WD management is satisfied with the overall management of grants and contributions as evidenced by the over 90% compliance results in this audit, there are areas of the administration of grants and contributions that can be reviewed and strengthened as indicated below.</p> <p>WD will continue to administer contribution</p>	<p><i>ADM Policy and Strategic Direction</i></p>	<p>March 2015</p>

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		<p>agreements using a risk based approach as required by the Policy on Transfer Payments, consistent with the Blue Ribbon Panel on the Reform of Grants and Contributions.</p> <p>WD is working with other Regional Development Agencies on a common grants and contribution management system that will also support improved documentation.</p> <p>We will address these issues as part of our ongoing annual training of officers to ensure compliance is further strengthened. Project Lifecycle training for the current fiscal year is planned for January 2015.</p>		

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		<p>In addition, WD will review its Control Based Monitoring Framework and provide additional training to officers and managers.</p>		
<p>10. Ensure that expenditure initiation is properly documented and performed by an individual who has the appropriate delegated authority before expenses are incurred.</p>	<p>High</p>	<p>Response:</p> <p>We agree with the recommendation.</p> <p>Planned Actions:</p> <p>WD will strengthen its ongoing training and communicate to managers with financial signing authority on the requirements for expenditure initiation. This will include an emphasis to sign and date documents to ensure the audit findings identified are addressed with staff. Emphasis will be placed on acquisition card and</p>	<p><i>Executive Director, Finance & Corporate Management</i></p>	<p>May 2015</p>

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		<p>petty cash transactions where most of the findings occurred as expected given the nature of those transactions.</p> <p>For the 2014-15 fiscal year, WD will monitor a sizable sample of operational expenditures. Based on the results of this review additional targeted measures will be implemented as required.</p> <p>Staff in the centralized accounting unit will also review all financial transactions to ensure the requirements of Section 32 are being met and send reminders to staff where deficiencies are noted.</p> <p>WD will review and update its internal controls monitoring plan to ensure</p>		

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		adequate coverage on expenditure initiation.		
11. Ensure that account verification is done by someone who has the appropriate delegated authority, is supported by complete documentation, and is done on a timely basis.	High	<p>Response:</p> <p>We agree with the recommendation.</p> <p>Planned Actions:</p> <p>WD will strengthen its ongoing training and communicate to managers with financial signing authority on the requirements for account verification. This will include an emphasis on the requirement to date all signatures and attach all supporting documents received, such as packing slips, in addition to invoices to the file as these were common errors throughout the audit</p>	<i>Executive Director, Finance & Corporate Management</i>	May 2015

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		<p>sample.</p> <p>For the 2014-15 fiscal year, WD will monitor of sample of operational expenditures. Based on the results of this review additional targeted measures will be implemented as required.</p> <p>Staff in the centralized accounting unit will also review all financial transactions to ensure the requirements of Section 34 are being met and send reminders to staff where deficiencies are noted.</p> <p>WD will also review its risk based internal control monitoring plan by November 30 to ensure appropriate coverage of account verification.</p>		