

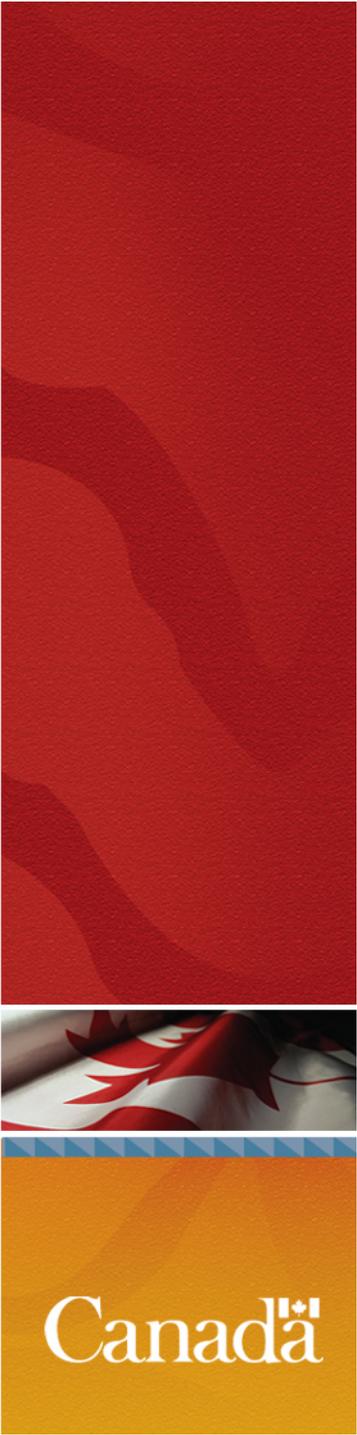


Indian and Northern  
Affairs Canada

Affaires indiennes  
et du Nord Canada

# Management Practices Review of Lands & Economic Development Sector

**May 2009**

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Canada



# Review Objectives

- The purpose of the review was to assess whether management practices and controls in the Sector are sufficient to mitigate risks and identify areas where efficiencies and greater economy can be achieved.
- Specifically, the objectives were to:
  - Assist sector management in assessing whether the current management practices are designed to achieve objectives efficiently and effectively;
  - Provide information to senior management about areas of strength and weakness with respect to management practices; and,
  - Identify areas and make recommendations for follow-up reviews or audits, if required.



# Methodology

- Field work conducted during March and April 2009.
- The review focused on Economic Development as a MPR of Lands was completed in July 2008 as a component of the Lands and Trust Services review.
- The scope included specific activities and processes which were validated through review of documentation and the conduct of interviews, including:
  - Strategic and operational planning;
  - Accountability and authority;
  - Risk management;
  - Financial management;
  - Human Resources management;
  - Co-ordination of programs/activities;
  - Performance measurement and reporting;
  - Monitoring; and,
  - Management of grant and contribution programs.



# Methodology

- 21 interviews conducted with management and staff in the Sector including all the DGs except Lands Branch and several Directors. 4 interviews with staff from the Human Resources Branch, and Chief Financial Officer Sector.
- In addition to the above, a sample of contracting, acquisition card, human resources and grants & contribution transactions were reviewed. Transactions were selected from the period September 1, 2008 to March 31, 2009.



# Context

- Economic Development Programs are administered through three branches:
  - Strategic Economic Development Policy;
  - Business Development (formerly Aboriginal Business Canada);
  - Community Investments (formerly Economic Development);with support from the Resource Planning and Reporting Directorate.
- The Sector is facing major challenges/opportunities during the fiscal year 2009-2010:
  - The development of a new Federal Framework for Aboriginal Economic Development;
  - Continuing efforts to integrate the former Aboriginal Business Canada, Industry Canada and Lands Branch with the former Economic Development Branch.



# Context

- The Economic Development component of the sector's 2008/09 budget was \$117 million (including \$98.5 million in grants and contributions directly managed from HQ).
- Responsibility for delivery of a major portion of the Community Investments Branch grants and contribution programs resides with INAC regional offices (\$102.0M is transferred to the regions at the beginning of the fiscal year).



# Observations – General Management

## Strengths

- The Sector has well structured and effective Strategic Outcome and work planning processes in place:
  - Quarterly Economy Strategic Outcome Reports which track Key Activities; Indicators/Performance Measures/Targets; Results to Date; Planned Risks/Challenges/Mitigation; Accountabilities and Status;
  - The three DG's hold regular update meetings and/or teleconferences with their managers;
  - The Departmental Financial Status Reporting process, used for tracking budgetary performance and for making resource reallocations;
  - A three year (2009-2012) Integrated Human Resource Plan which is considered a model, and annual Staffing Strategies.



## Observations – General Management

### Strengths

- The recent efforts to develop Strategic Outcome Risk Profiles is innovative and is considered a best practice. Workshops in June 2009 will identify opportunities as well as risks.
- The recently completed (March 2009) independent Aboriginal Business Canada - Quality Assurance Review identified strengths, weaknesses and areas for improvement in ABDP delivery across the country should lead to improved management and control of this grant & contribution program and increased client satisfaction.



## Observations – General Management (cont'd)

### Areas for Improvement

- The perception that programs have a tendency to work in isolation, “they work in stove pipes”;
- Some 2 ½ years later, there are still transition issues associated with the integration of ABC into INAC, from a human resource management and technical perspective;
- No Transition Plan to facilitate the full integration of Lands into Economic Development;
- There is a lack of information and communication with regard to the program delivery changes which have been made and those to be made with the result that staff is uneasy about their futures;



## Observations – General Management (cont'd)

### Areas for Improvement

- Organizational structure:
  - LEDES has no formal management role beyond policy development; programs are delivered by the regions.
  - Business Development has maintained the regional structure it had as part of Industry Canada. This limits coordination with other economic development programs.
- There is recognition across the Sector that the Resources Planning and Reporting Directorate is making a significant contribution in the area of financial management; however, concern was expressed that the roles it plays in the areas of human resource management and contracting may not be adding value to the processes.



## Background – HR

- Total employee population at March 2009 was 193 (125 at HQ and another 68 employees located in regional offices).
- The LED/Business Development regional offices are located in: Vancouver; Edmonton; Calgary; Saskatoon; Regina; Winnipeg (Western Region Head Office); London; Ohsweken; Toronto; Montreal (Eastern Region Head Office); Halifax; and Yellowknife.
- Efforts are underway to address human resource management issues: recruitment and retention; appropriate skill sets; training; classification (CO vs PM); staff relations issues; and general staff morale.
- The Sector is currently dealing with 7 labour relations cases and 2 staffing complaints
- Over the past year the Sector has had several different staffing officers assigned to it which has led to inconsistencies in advice.



## Observations – HR

- 5 classification actions were selected and reviewed:
  - 2 of the actions cancelled with appropriate explanations;
  - The other transactions were in compliance with policy and directives; and
  - There were no reclassification actions during the period under review.
- A sample of 5 Learning Plans were reviewed and the following was noted:
  - All employees in the sample had a training plan
  - In 2 of the 5 cases the course attended was not part of the training plan;
  - In 3 of the 5 cases there was no evidence on file that the course had been authorized prior to the booking;
  - In 2 of the 3 cases where training was taken, S.34 was not signed by a person with delegated authority;



## Observations – HR

- 5 overtime transactions were selected for review:
  - LED was unable to provide documentation for 4 of the transactions selected; and
  - The documentation provided for the other sample was incomplete such that the planned audit testing could not be undertaken.



# Background—Grants & Contributions and Contracting

- A number of recent studies of practices within LEDSS:
  - Review of AWPI Contracts and Contributions, April 2008
  - Audit of Community Economic Development Funding, September 2008
  - Quality Assurance Review –Aboriginal Business Canada, March 2009
- Findings of the previous studies are quite consistent with this review.



## Observations – Grants and Contributions (G&C)

- 15 Grant and Contribution transactions were tested and the following observations were noted:
  - There are no official client service standards with respect to processing proposals so it is difficult to measure timeliness of response to recipient and review of reports.
  - Amendments are not always justified or signed by the appropriate level of authority.
  - In 8 of the 15 files reviewed it was not possible to determine a person with appropriate delegated authority had executed the agreements or had signed S.34 on the invoices (information showing the authority could not be provided).
  - A number of other observations were noted: inappropriate S.34 signatures; lack of evidence of: accountability and management capacity; recipient proposal formally assessed; a documented process was followed to determine eligibility; defined results for monitoring purposes.



# Observations – Contracting & Payments

- We examined 13 contracts (6 - supply arrangement, 6 – sole source, 1 less than \$15K) and noted the following observations:
- For supply arrangements:
  - The need to acquire the services was missing from 3 of the files;
  - In 2 cases where there were evaluation reports they were not signed by the board members;
  - In one of the files there were two amendments that were not justified;
  - In 3 of the files there was no appropriate evidence that security requirements had been met; and
  - Other observations included: lack of a clear description of services expected; pricing information in the requisition for services not consistent with the terms & conditions in the Supply Arrangement, etc.



# Observations – Contracting & Payments – Cont'd

- For sole-source:
  - In 3 of the 6 files reviewed the need to acquire the services was not adequately justified;
  - There was no statement of work that clearly defined the services to be provided, deliverables, timing and estimated costs in 4 of the six files reviewed;
  - In 3 cases there was no evidence that the Statement of Work was approved by the appropriate authority before the work began;
  - In all 6 cases the contract files were not well organized and documented; and
  - Other observations included: a lack of justification to follow a non-competitive process; the SOWs lacked clarity in terms of deliverables, time and cost expectations; in 4 of 6 cases the contract was signed after the commencement date.



## Observations – Contracting & Payments – Cont'd

- For service contracts (\$15K or less):
  - One file was reviewed, the file was not well organized and documented, there was no statement of work on file and the contract was signed after the commencement of work.
- A sample of 5 acquisition card payments were reviewed the following observations were noted:
  - The Sector indicated that it had 6 acquisition cards, all held in the RPR Directorate. Additional card holders in the Regions were identified through interviews with regional managers. RPR were unaware of the existence of these cards;
  - In fact 3 card holders each have 2 cards (the \$25K limit on each card was considered not sufficient);
  - Non card holders are regularly provided the card numbers for use in making purchases, thereby weakening the controls over the use of the card;
  - In 4 of the 5 invoices reviewed S.34 was signed by an employee who did not have a valid SSC on file; and
  - No cardholder purchase register/logs were found.



# Recommendations—General Management

- Continue the integration of LEADS' predecessor organizations by:
  - Developing a Transition Strategy/Change Management Plan that includes:
    - Clear accountabilities for delivering the plan
    - Description of how management and staff will be involved
    - Clearly articulated deliverables
    - Timelines for delivery of the plan
    - Monitoring process
    - Comprehensive communications strategy
  - Enhance information to staff with regular updates on program delivery changes already implemented and those being contemplated



## Recommendations—General Management (cont'd)

- Streamline the organization and improve the linkages to INAC's regional structure
  - Provide the ADM with a mechanism for input on RDG selection and annual assessment of performance
  - Establish a formal accountability framework with RDGs for the delivery of economic development programs.
  - Where possible, in the short term, co-locate Business Development regional staff with regional staff with responsibility for the delivery of Community Economic Development programs. In the longer term, the Business Development regional structure could become part of INAC regional structure used for the delivery of other programs
- Review the roles and responsibilities of the Resource Planning and Reporting Directorate as part of the planned organizational structure review in 2009-10.



## Recommendations – Human Resource Management

- Consider co-locating an experienced HR officer in the Sector to provide full-time advice and guidance to accelerate indeterminate staffing processes, deal with labour relations and staff morale issues.
- The area of selection, in particular for long-term acting appointments, should be as broad as possible to improve the fairness and transparency of the process.
- Ensure that there is a better linkage between training plans and the training taken.
- Documentation standards for LEDES human resource files should be developed.



## Recommendations – Grants and Contributions

- The recommendations contained in the ABC – Quality Assurance Review, March 2009 should be implemented.
- Client service standards should be established and implemented.
- A quality assurance review process should be implemented for grants and contributions being managed and administered in HQ.  
(Business Development & Community Economic Development)



## Recommendations - Contracting and Payments

- Controls around contracting need to be strengthened and monitored to ensure that:
  - Contracts are signed before work on the contract begins;
  - The Statement of Work and Request for Supplier Arrangement are appropriately approved; and
  - Justification for selecting suppliers and/or a sole source process are appropriate and properly documented in the files.
- Immediate steps need to be taken to ensure that the use of acquisition cards is in accordance with Departmental Policy and that the cards are only utilized by the authorized holders.