



The Honourable Kevin Sorenson, P.C., M.P.
Chair
Standing Committee on Public Accounts
131 Queen Street, 6th floor
House of Commons
Ottawa, Ontario K1A 0A6

Dear Mr. Sorenson:

In accordance with the government response to the Fifty-eighth report of the Standing Committee on Public Accounts titled Report 2, Disposing of Government Surplus Goods and Equipment, of the 2018 Spring Reports of the Auditor General of Canada, I am pleased to provide responses to the four recommendations relating to Public Services and Procurement Canada, the Royal Canadian Mounted Police, Shared Services Canada and the Canada Revenue Agency.

I trust this information is satisfactory.

Yours sincerely,

Bill Matthews
Deputy Minister

Enclosures

c.c.: Mr. Peter Wallace
Secretary
Treasury Board of Canada Secretariat

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Ms. Brenda Lucki
Commissioner
Royal Canadian Mounted Police

Mr. Bob Hamilton
Commissioner of Revenue and Chief Executive Officer
Canada Revenue Agency

Mr. Paul Glover
President
Shared Services Canada

Follow-up on Activities related to Report 2, Disposing of Government Surplus Goods and Equipment, of the 2018 Spring Reports of the Auditor General of Canada

***Recommendation 1:** Public Services and Procurement Canada, the Royal Canadian Mounted Police, and Shared Services Canada should provide the House of Commons Standing Committee on Public Accounts with a report outlining their revised asset life-cycle processes, including procurement, to facilitate and encourage the transfer and reuse of assets.*

Public Services and Procurement Canada's Report

As the Government Response tabled on June 6, 2019 outlined, PSPC has successfully reviewed its asset life cycle processes, and made necessary adjustments to ensure that life cycle management of valuable assets is undertaken in a cost-effective manner.

Since March 2019, PSPC has fully implemented a decision making form, i.e., "Cost Benefit Analysis Form," and has also developed an internal departmental guideline for determining the most cost-effective method of disposal. The guideline ensures that surplus assets will be disposed of in an environmentally sound manner while displaying sound stewardship. The Cost Benefit Analysis Form was distributed to all regional representatives for use and is being continuously reviewed to ensure it captures any new factors that may be pertinent, ensuring that disposal decisions are documented.

Moreover, since the OAG's audit, PSPC is ensuring that assets being considered for disposal are subject to more robust due diligence by soliciting any interest from other government departments on GCTransfer, before proceeding onto additional steps for disposal.

To further support internal reuse and transfers of assets between departments, including donations, PSPC has been participating in various interdepartmental working groups reviewing the Materiel Management Policy Suite, which are being led by Treasury Board of Canada Secretariat (TBS). The draft TBS Guide to Materiel Management is currently being circulated for comments by various departmental working groups, which will help inform the further development of the draft guide.

Royal Canadian Mounted Police's Report

In its response to the OAG recommendations, the RCMP agreed to review its asset life cycle processes in consultation with materiel managers across the RCMP to facilitate and encourage the transfer and reuse of assets. Throughout this review, particularly for the disposal phase of the life cycle, the RCMP focused on disposal methods that obtain

the highest net value for the Crown as per the Treasury Board Policy on Management of Materiel.

The RCMP has now completed its life-cycle process review and focused on the disposal phase. Internal disposal guidance is being finalized incorporating the results of the review and will strengthen the disposal process within the RCMP. A communication strategy is in development and will promote the internal reuse and transfer of assets. It should be noted that the RCMP must take into consideration the impact any disposal decision may have on its obligations to the contracting partners. Both the guidance document and the communication strategy are on track for completion by June 30, 2019.

Consultation with PSPC is also on-going regarding the use of the GCTransfer platform to better facilitate the internal reuse and transfer of RCMP assets. The use of a common platform would result in cost efficiencies and eliminate duplication.

The RCMP would also like to highlight that it encouraged the reuse and transfer of assets post 2018 G7 Summit and was successful with numerous gratuitous transfers to government departments and other levels of government.

Shared Services Canada's Report

In fall 2018, Shared Services Canada's (SSC) interim disposal process was approved. It is continuously being monitored to help establish the Enterprise Asset Management (EAM) model, with implementation planned for the 2020-2021 fiscal year. A workshop was held on May 6, 2019, and representatives of key groups directly involved in the disposal operations, including Finance and Information Technology Asset Management, participated to discuss current issues with the interim disposal process and to introduce the disposal end-state, part of the EAM model.

SSC's internal SYNERGi site, SSC Surplus Materiel, which was established in the spring of 2018, has been used to advertise materiel assets that are no longer required within the branches, but may benefit others within SSC.

The SSC Transfer Agreement that was approved in the fall of 2018 is posted on SSC's internal site and is being used as a disposal method for transferring materiel directly to another federal organization.

Recommendation 2: *The Canada Revenue Agency, Public Services and Procurement Canada, the Royal Canadian Mounted Police, and Shared Services Canada should provide the Committee with a report outlining their revised internal processes to facilitate the donation of surplus assets.*

Public Services and Procurement Canada's Report

In November 2018, PSPC continued to participate in Government-wide policy initiatives on strengthening asset and material management to further encourage the donation of surplus assets. As highlighted in the Government Response, one flagship initiative emerging from interdepartmental collaboration was the donation brokering program.

PSPC completed a proof of concept in March 2019 using GCSurplus, the results of which will feed into the donation pilot project in June 2019.

GCSurplus is also working with PSPC Communications and Outreach and Advertising groups to better understand the unique needs and considerations of charities when donating surplus assets as part of the enterprise wide donations pilot, as well as explore partnership opportunities with national charitable organizations.

Royal Canadian Mounted Police's Report

Since March 31, 2019, the RCMP Materiel Policy Center has completed the review of its internal processes related to the donation of surplus assets and has identified the need for more detailed direction on this method of disposal. The draft internal disposal guidance document will be enhanced to include process maps specifically relating to the donation process. As noted in Recommendation 1, the guidance document is on track for completion by June 30, 2019.

The RCMP continues to be part of the consultation process with the Treasury Board of Canada Secretariat (TBS) as part of the Policy Suite Reset on Materiel Management. During this consultation process, the RCMP has highlighted the need and importance for flexibility in the revised TBS policy to facilitate the donation of surplus assets.

The RCMP will also continue to collaborate with PSPC in pilot projects relating to the donation of surplus assets. Furthermore, discussions with PSPC are on-going as the RCMP continues to leverage PSPC's expertise to ensure compliance with the principle of fairness and transparency for donations.

Shared Services Canada's Report

Since November 2018, SSC has donated an estimated 15,000 information technology (IT) materiel assets to Innovation Science Economic Development Canada's (ISED) Computers for Schools (CFS) Program. SSC will continue to work with ISED to support the program to establish and advance the donation of the mobile devices. Additionally, discussions have been held with SSC's Physical Security, Materiel Management and ISED groups regarding the opportunity of donating sanitized hard drives to help further support the CFS program.

The SSC Donation Agreement that was approved in the fall of 2018, is a standard legal template, used to facilitate the donations of materiel assets and is posted on SSC's internal site so that it is accessible to all employees to use.

Additionally, SSC has collaborated with PSPC on the proof of concept exercise for donations and is still exploring other means for the donation of SSC materiel assets that is fair and transparent. SSC has and will continue to be part of the consultation process with the Treasury Board of Canada Secretariat Policy Suite Reset initiative for Materiel Management.

Canada Revenue Agency

The CRA has reviewed its policy direction on asset management and has identified opportunities to improve current processes, both to allow for an increase in the use of donations as a disposal method and to streamline the overall asset management processes. The Materiel Disposal Procedures are being updated to expand the scope of donations to the Community Volunteer Income Tax Program (CVITP) as well as the CFS program to allow additional types of surplus assets. The disposal direction is also being updated to provide for a more streamlined disposal process. Additionally, in order to support a more holistic review of existing asset management and disposal processes, the Directive on Loans or Off Premises Use of CRA Materiel is being updated to allow for greater flexibility in loaning surplus assets to other government departments.

The CRA expects that, as the process of donations becomes clearer through the development of additional tools and guidance to facilitate disposal of its surplus assets, donations will be considered and used more often than in the past as a routine part of the disposal process. The CRA is gathering requirements and has begun preliminary development work for an Asset Management Portal which, once completed, is expected to be a one stop shop that guides the user to make appropriate disposal decisions in accordance with CRA policy direction and internal processes.

The CRA will continue to work with other government departments to explore a broader, integrated horizontal approach across government to facilitate an efficient, fair and transparent donation process for both the donor departments and the receiving organization.

Recommendation 3: *Public Services and Procurement Canada, the Royal Canadian Mounted Police, and Shared Services Canada should provide the Committee with a report outlining their revised policies regarding keeping sufficient documentation to justify the disposal methods that they selected, standardizing their forms to ensure consistency, and considering all factors when making disposal decisions, such as disposal cost, asset value, and environmental impact.*

Public Services and Procurement Canada's Report

PSPC has taken a number of steps to implement actions committed to in the original response to the OAG Report to enhance documentation of disposal decisions.

In December 2018, PSPC developed and implemented guidelines on how to dispose of assets, along with a standardized form to facilitate cost-effective disposal decisions and to ensure consistency in documenting disposal decisions. For example, as outlined in the Government Response, disposal guidance has been provided to ensure that a thorough cost-analysis that must consider costs (such as storage or administrative costs), and course of actions to take in case of valuable assets, and decision trees to consult. To this end, these new processes were developed with uniformity and documentation in mind, as well as to ensure proper consideration for disposal costs, and social and the environmental impacts.

In order to further PSPC's commitment to transparency in disposal decisions, a monitoring strategy will also be developed by March 31, 2020.

Royal Canadian Mounted Police's Report

The RCMP conducted an assessment to identify efficiencies to be gained by incorporating the new disposal form and the electronic approval process in a one-phase approach.

The RCMP has concluded it has the ability to modernize through an electronic approval process. The RCMP will proceed with a one-phase approach which combines both the automation of the disposal form and the approval process. This combined approach is more efficient and will strengthen the disposal processes by ensuring standardization, documentation of disposal considerations and methods, improved governance and the capability for performance measurement and reporting. This approach however will have an impact on the initial date of June 30, 2019 for the completion of a disposal form (paper-based). The RCMP is now proposing a completion date of December 31, 2019 for the development of an automated solution which will incorporate the disposal form and approval process.

As an interim measure, the communication strategy outlined in Recommendation #1 will also incorporate the need to document disposal considerations and methods and will refer to the detailed disposal document which provides this guidance.

Shared Services Canada's Report

SSC has completed its summary table, selection guide, and decision tree, and has made changes to the Disposal Request Form to include the cost analysis used to justify the disposal method selected.

Additionally, during the disposal workshop held on May 6, 2019, it was identified that there are specific challenges in manually managing and executing disposals (i.e., completing the form and updating the records in the corporate system of record) and is examining the alternatives available that is more environmentally sound and cost-effective which will be part of the level 4 disposal process that is planned to be completed as part of the upcoming October 2019 deliverable. A proof of concept aimed to help with identifying potential issues that might interfere with the success of the disposal end state is planned for the late winter of fiscal year 2019-20, or the next fiscal year. The proof of concept is a pilot project targeting a limited scope of users for evaluation prior to the departmental disposal end state rollout implementation.

SSC has developed Business Requirements document that describes the need for potential enhancement of the current corporate system of records to reduce the costs and resources to manage and monitor disposal operations. The desired technology enablement, which was one of the recommendations at the May 2019 workshop, is currently being analyzed with a view to optimize SSC's disposal operations that will be decentralized to the branches. SSC is reviewing the current system capabilities for the possibility of transforming the existing disposal operation activities from a manual process into a centralized automated process that will help optimize the valuable time and resources required to manage the disposal. The possibility of automatically managing the disposal through an organized workflow will help reduce costs and will enable real time insight on the disposal activities.

Ongoing meetings and workshops are being held with SAP design analysts and SSC's Financial Systems group to discuss challenges and the current SAP system capabilities.

Recommendation 4: *Public Services and Procurement Canada should provide the Committee with a report outlining its revised policies regarding the development and implementation of a new service for federal organizations to better encourage the donation and reuse of assets across government.*

Public Services and Procurement Canada

PSPC has been working towards developing and implementing a new service for federal organizations to reuse and donate assets.

Work is underway to continue implementing a multi-faceted strategy to promote the donation and reuse of assets as a common service provider. Specifically, PSPC committed to four Milestones in its initial response to the OAG's audit and is pleased to report the following progress for each respective milestone.

Milestone A: *PSPC will complete an analysis of assets by class to determine whether they could be transferred for donation or reuse.*

The in-depth analysis of all commodity groups for transferability / reuse is ongoing and on track for completion by the targeted implementation date of September 30, 2019.

Milestone B: *PSPC will revise its life cycle management guidelines to include updates on asset transfers for donation and reuse.*

PSPC continues to work with TBS and departmental material managers on reviewing the updated directive and guidelines as they pertain to disposal. This work is on-going and completion is targeted for late fiscal year 2019-20.

Milestone C: *PSPC will determine how best to engage, communicate and highlight the importance of asset transfers within government, and the role of the GCTransfer tool.*

Under Milestone C, PSPC has been implementing a variety of measures to draw attention to GCTransfer and the asset transfer process. This includes ensuring that PSPC informs clients of disposal options for transferring assets.

In January 2019, GCSurplus met with TBS and the Canada School of Public Service to discuss training options that could further highlight GC employee responsibilities in relation to materiel management and asset disposal. GCSurplus is awaiting for the new TBS Directive on Materiel Management to be completed before exploring additional training options further to ensure information and requirements are accurately aligned. Engagement with the TBS working group on material management has resulted in recommendations to improve the user experience of the GCTransfer website, for example by allowing any public servant to be notified of new commodity items posted on its platform.

Lastly, PSPC has been preparing a client engagement strategy and working with other government departments on the application of the directives and the use of tools for asset transfer by December 31, 2019.

Milestone D: PSPC, as a common service provider, will conduct a proof of concept and subsequent pilot for donations.

For Milestone D, PSPC launched a proof of concept on June 2018 within the National Capital Region to test the feasibility of a PSPC-led centralized donations program and to test the market for donated low-dollar value assets. The proof of concept included various asset classes and donation/transfer approaches to determine whether they would be suitable for donation or reuse. The proof of concept phase has since been completed.

A key finding was that donations managed by GCSurplus are more administratively costly than selling assets. Consequently, the pilot project, which was expected to begin in April 2019 for a duration of a year and expand to other regions and departments, has been rescheduled to March 31, 2020 pending further assessment of the donations strategy to reduce administrative costs. Further work also includes seeking additional input from the charitable organization sector, which is being pursued through a sector consultation strategy.

Through this work, PSPC will be better positioned to address the transfer (reuse) of assets within government, as well as the donation of assets to charitable and not-for-profit organizations outside of government.