



## **Global Affairs Canada** Security Equipment Procurement Review

September 2020

# Table of Contents

<b>Executive Summary</b>	<b>ii</b>
<b>1. Background, Objective and Approach</b>	<b>1</b>
1.1 Background.....	1
1.2 Objective.....	1
1.3 Approach .....	2
<b>2. Overview of Security Equipment Procurement Process</b>	<b>3</b>
2.1 Definition of the Requirement.....	3
2.2 Solicitation .....	4
2.3 Bid Evaluation .....	4
2.4 Award .....	5
<b>3. Findings and Recommendations</b>	<b>6</b>
<b>4. Conclusion</b>	<b>8</b>
<b>Appendix A: Interviewees</b>	<b>9</b>

# Executive Summary

## Background

Global Affairs Canada (GAC) has an ongoing requirement to purchase security equipment for its missions abroad. Recently, GAC undertook a procurement process for two types of security equipment which resulted in two standing offers; one for each type of security equipment. The award of one of the standing offers to a state-owned Chinese firm recently received public attention.

In August 2020, GAC senior management engaged Deloitte LLP (Deloitte), a professional services firm, to perform this review.

## Objective and Approach

The objective of this review was to assess GAC's procurement process as it relates to security equipment, specifically, the procurement process that resulted in the state-owned Chinese firm being awarded a standing offer for security equipment (the specific procurement) and to make recommendations for future procurement of security equipment. The review considered the requirements of Treasury Board (TB) policies; specifically, the Contracting Policy, the Policy on Government Security and the Directive on Security Management.

The review consisted of interviews with key stakeholders, examination of documents and a walkthrough of the specific procurement process. Key findings were summarized and validated with management.

## Findings and Recommendations

The review identified opportunities for improvement for future procurements of security equipment in the areas of increased integration of security in the materiel management life cycle, broader consultation throughout the procurement process for security equipment and additional guidance with respect to publishing technical requirements.

To address the findings, the following recommendations were made:

1. It is recommended that GAC increase the integration of security considerations into the materiel management life cycle, including procurement and contracting activities. This could include involving security subject matter experts (SME) during the development of the departmental procurement plan.
2. It is recommended that GAC consider additional consultations and collaboration during the assessment of security-related requirements in the procurement process for security equipment. This could include:
  - a) Formalize additional steps or stage gates in the procurement process to evaluate, review and approve security-related requirements. This should apply to all procurement of equipment and/or services related to the provision of physical security, operational technology and information technology within missions.
  - b) Development of a guideline that considers GAC's specific security threats and vulnerabilities that indicates when a National Security Exemption is applicable.
  - c) Enhanced definition of roles and responsibilities for the review (e.g. security SMEs), approval and oversight over the development of the security requirements, including the Security Requirements Check List (SRCL) as well as security-related inquiries throughout the procurement process for security equipment.
  - d) Additional consultation with the appropriate GAC representatives and other government organizations such as public safety organizations, Shared Services Canada (SSC), and Treasury Board Secretariat (TBS) where appropriate per the Government of Canada's Policy on Government Security (Section 5 - Roles of other Government Organizations).

3. It is recommended that GAC develop guidance related to the management of security equipment procurements and disclosure of information related to technical requirements.

## **Conclusion**

During our review we did not observe any instances of non-compliance, although as noted above, we have identified opportunities for improvement with respect to future procurements of security equipment.

The specific procurement under review could benefit from a re-evaluation considering the above-noted recommendations. This could include a re-examination of the technical and security requirements in collaboration with security SMEs as well as revisiting whether the technical requirements should be posted on a public site (i.e. BuyandSell).

# 1 Background, Objective and Approach

## 1.1 Background

Global Affairs Canada (GAC) has an ongoing requirement to purchase security equipment for its missions abroad. Recently, GAC undertook a procurement process for two types of security equipment. As the procurement exceeded GAC's authority, GAC engaged with Public Services and Procurement Canada (PSPC) to manage the procurement process. It was agreed that a standing offer was the most suitable supply instrument as it is non-binding in nature and provided GAC the flexibility to issue contracts on an as needed basis through call-ups. In addition, it was determined that it would be more efficient to combine the procurement for the two types of security equipment. The procurement resulted in two standing offers; one for each type of security equipment.

In July 2020, an article appeared in the *National Post* regarding the fact that one of the standing offers was awarded to a state-owned Chinese firm to supply security equipment to GAC. The article expressed concern regarding the award of the standing offer and called for a re-examination of the bid.

In August 2020, GAC senior management engaged Deloitte, a professional services firm, to perform this review.

## 1.2 Objective

The objective of this review was to assess GAC's procurement process as it relates to security equipment, specifically, the procurement process that resulted in the state-owned Chinese firm being awarded a standing offer for security equipment (the specific procurement) and to make recommendations for future procurement of security equipment. The review considered the requirements of Treasury Board (TB) policies; specifically, the Contracting Policy, the Policy on Government Security and the Directive on Security Management.

### 1.3 Approach

The review was conducted in three phases:



The **planning** phase consisted of kicking off the engagement with key personnel from GAC, interviewing the procurement officer and examining background documents. A work plan was prepared at the end of the planning phase that outlined the activities to be completed by phase and timing of those activities.

During the **conduct** phase, the following activities were undertaken by Deloitte:

- Multiple interviews with key personnel from various branches within GAC, including International Platform and Corporate Planning, and Finance and Information Technology, to gain an understanding of the procurement process and how the technical and security requirements were developed.
- Interviews with GAC senior management.
- Multiple interviews with PSPC Procurement Branch to understand how they exercised their role.
- Examination of procurement and solicitation documents, Treasury Board policy instruments, governance records of decision, and other relevant documentation.
- Walkthrough of the specific procurement process to understand how the technical and security requirements were defined.
- Assessment of the procurement process for security equipment. This included development of review criteria and documenting how the specific procurement met those criteria.

During the **reporting phase**, findings and observations were developed and validated with key personnel. Recommendations were developed and a report was prepared and presented to senior management.

## 2 Overview of Security Equipment Procurement Process

The typical procurement process for security equipment within the Government of Canada, and specifically GAC, can be divided into four general phases as depicted in the diagram below.



### 2.1 Definition of the Requirement

Within this phase, the technical and security requirements are defined by the business owner within GAC. The definition of the technical requirements involves consultation within subject matter experts within the department as well outside the department for some of the specialized elements of security equipment.

With respect to the security requirements, a Security Requirements Check List (SRCL) is prepared. It is the mechanism whereby the technical authority (TA) identifies security elements (e.g. physical security) related to the procurement. Factors such as whether the equipment will be in the secure zone of a mission, connectivity to the mission's network and whether the equipment stores data are considered when preparing the SRCL. Depending on the security requirements identified, a SRCL could be reviewed by the TA, the departmental Chief Security Officer (CSO) as well as the contracting authority. During this phase, the procurement officer also determines whether the specific type of security equipment is included within the pre-existing National Security Exemptions (NSEs) for the department.

Significant procurements are presented to GAC's governance committee (i.e. Departmental Contract Review Board). This committee is charged with reviewing the nature of the procurement, the appropriateness of the procurement tool, estimated value, and whether or not there are sufficient funds within the budget for the procurement.

Procurements that are within GAC's authority (i.e. \$2 million) are managed by procurement officers within the department. Where the value exceeds \$2 million, the procurement process is managed by Public Services and Procurement Canada (PSPC). In the latter case, GAC collaborates with PSPC to finalize the statement of work and to select the appropriate procurement instrument that meets the needs of the department. Along with requisition form (Form 9200) and the procurement documentation, GAC submits any security requirements to PSPC. Submission of the SCRL to PSPC is not mandatory if, on the requisition form, the department has checked the box "No security requirement".

In addition, the basis of evaluation is established during this phase. Lowest cost that meets the mandatory technical requirement is often used for goods or services that are readily available in the marketplace. For this basis of evaluation, if a bidder does not meet any of the mandatory requirements, they are automatically disqualified. The vendor that meets the mandatory technical requirement and has

the lowest price would be the successful bidder. For this type of procurement this is considered the best value for the Crown.

The management of the procurement by PSPC includes playing a challenge role. PSPC reviews the stated requirements and works with GAC to ensure that the language is inclusive and does not limit competition. PSPC also provides advice on the type of procurement vehicle that will be used. PSPC may recommend combining procurements if the goods or services are similar.

## **2.2 Solicitation**

Once prepared, the Request for Proposal (RFP) is posted publicly on the BuyandSell portal for the required 40 days. The solicitation period can be extended to accommodate bidder questions and responses from the Crown.

The RFP includes instructions for bid submission, basis of evaluation, the technical requirements, and resulting clauses of the contract. In addition, the RFP stipulates that technical bids be submitted separately from the financial bid and that all bid information be sent directly to PSPC.

Security requirements are also described in the RFP and, typically, the SRCL is posted along with the RFP. The security requirements could include industrial security requirements for the bidder as well as security clearance for personnel involved in delivering the contract. In addition, the security requirements could trigger a National Security Exemption which would limit the distribution of the RFP. In some cases, the potential bidder may be required to demonstrate appropriate security clearance before gaining access to the technical requirements.

## **2.3 Bid Evaluation**

As the Technical Authority, GAC is responsible for the evaluation of the technical bids received. PSPC provides the technical bids for evaluation to GAC but retains the financial bids. GAC establishes a team to assess the bids. After evaluating the bids individually, the team meets as a group to review the results of the evaluation and arrive at a consensus of which bids have met the technical requirements. Proposals that do not meet the mandatory technical requirements are considered non-compliant. The results of the evaluation are shared with PSPC. At this point, PSPC reviews the financial bids. Consistent with the established basis of evaluation, the winning bid is the one with the lowest cost amongst the compliant bids.



## 2.4 Award

PSPC submits the successful bidder's name through the Integrity Regime where PSPC verifies whether the supplier or any of its affiliates have been determined to be ineligible or suspended, in accordance with the Ineligibility and Suspension Policy. If a supplier has been convicted of an offence listed in the Policy<sup>1</sup> within the past three years in Canada or abroad, the supplier will be determined to be ineligible to be awarded a federal contract for a period of ten years. If a supplier is charged with one of the listed offences, the supplier could be suspended. If there are any concerns or issues at this stage, PSPC would advise GAC. If no issues arise from the Integrity Regime verification, the standing offer is awarded to the successful bidder.

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<sup>1</sup> The Ineligibility and Suspension lists a number of offences under the Criminal Code as well as under these acts:

- *Competition Act*
- *Controlled Drugs and Substance Act*
- *Corruption of Foreign Public Officials Act*
- *Excise Tax Act*
- *Financial Administration Act*
- *Income Tax Act*
- *Lobbying Act*

# 3 Findings and Recommendations

During the review we identified opportunities for improvement for future procurements of security equipment in the areas of increased integration of security in the materiel management life cycle, broader consultation throughout the procurement process for security equipment and additional guidance with respect to publishing technical requirements. Details of the findings and recommendations are provided below.

## 3.1 Increased integration of security considerations in the materiel management life cycle

It was noted that the department has a procurement planning process for significant procurements and that the plan is presented to the Departmental Contract Review Board. The security subject matter experts (SME), however, are not typically included in the procurement planning process. It was also noted that while procurement personnel are experienced in procuring security equipment and have a high-level understanding of the department's security requirements, security SMEs are best positioned to keep abreast of evolving security threats around the globe.

Involving security SMEs during the planning phase of the materiel management life cycle increases the likelihood that security requirements will be identified in a more timely manner.

1. It is recommended that GAC increase the integration of security considerations into the materiel management life cycle, including procurement and contracting activities. In particular, this could include involving security subject matter experts during the development of the departmental procurement plan.

## 3.2 Broader consultation and collaboration throughout the procurement process for security equipment

It was noted that although a Security Requirements Check List (SCRL) is required to be prepared through consultation with other branches within the department early on in the procurement process for a piece of security equipment, given the typical duration of procurements of this nature (i.e. more than one year) and the nature of the equipment, it is likely that the procurement process for security equipment could benefit from further consultation throughout the procurement process. Broader and more frequent consultation may increase the likelihood that appropriate security requirements and resultant measures (e.g. National Security Exemption) are identified throughout the procurement process for security equipment.

2. It is recommended that GAC consider additional consultations and collaboration during the assessment of security-related requirements in the procurement process for security equipment. This could include:
  - a) Formalize additional steps or stage gates in the procurement process to evaluate, review and approve security-related requirements. This should apply to all procurement of equipment and/or services related to the provision of physical security, operational technology, and information technology within missions.
  - b) Development of a guideline that considers GAC's specific security threats and vulnerabilities that indicates when a National Security Exemption is applicable.

- c) Enhanced definition of roles and responsibilities for the review (e.g. security SMEs), approval and oversight over the development of the security requirements, including the SRCL as well as security-related inquiries throughout the procurement process for security equipment.
- d) Additional consultation with the appropriate GAC representatives and other government organizations such as public safety organizations, Shared Services Canada (SSC), and Treasury Board Secretariat (TBS) where appropriate per the Government of Canada's Policy on Government Security (Section 5 - Roles of other Government Organizations).

### **3.3 Additional guidance on when technical requirements should be made public**

We noted during the review that if no specific security requirements are identified for the procurement of security equipment, the technical requirements are published on BuyandSell, which is accessible to the public. There are currently no specific guidelines that define when or if technical requirements for security equipment should, or should not, be disclosed.

Based on the potential sensitive nature of the technical requirements for security equipment, it is important for GAC to consider who has access to this type of information and whether it should be publicly available.

- 3. It is recommended that GAC develop guidance related to the management of security equipment procurements and disclosure of information related to technical requirements.

## 4 Conclusion

During our review of the procurement of security equipment that resulted in a standing offer being awarded to a state-owned Chinese firm, we did not observe any instances of non-compliance, although as noted in the previous section, we have identified opportunities for improvement with respect to future procurements of security equipment.

The specific procurement under review could benefit from a re-evaluation considering the recommendations noted in Section 3 of this report. This could include a re-examination of the technical and security requirements in collaboration with security SMEs as well as revisiting whether the technical requirements should be posted on a public site (i.e. BuyandSell).

# Appendix A: Interviewees

## Global Affairs Canada

Name	Title	Branch
<b>Dominique Bélanger</b>	A/Director General, International Platform Branch Corporate Services Bureau	International Platform
<b>Michael Bornstein</b>	Senior Analyst, Threat Assessment Division	International Security
<b>Brent Burbridge</b>	Senior Analyst, Technical Security	International Security
<b>Giorgio Dalpupo</b>	Deputy Director, Personnel Security Services	Consular, Security and Emergency Management (CSO)
<b>Dan Danagher</b>	Assistant Deputy Minister	International Platform
<b>Pierre Faubert</b>	Team Leader, Chancery Electronic Security System	International Platform
<b>Paul Godbout</b>	Director, Physical Security Abroad	International Platform
<b>Hanna Guenoun</b>	Director, Strategic Coordination, Duty of Care	Consular, Security and Emergency Management (CSO)
<b>George Heissler</b>	Readiness and Security Operations	Consular, Security and Emergency Management (CSO)
<b>Caroline Lefebvre</b>	Deputy Director, Physical Security Program	International Platform
<b>Tricia Mason</b>	Director, Readiness and Security Operations	Consular, Security and Emergency Management (CSO)
<b>Loretto McCool</b>	Deputy Director, Physical Security System	International Platform
<b>Hussen Mussa</b>	Security in Contracting Coordinator	Consular, Security and Emergency Management (CSO)
<b>Daniel Pilon</b>	Contracting and Material Management Policy	Corporate Planning, Finance and information Technology (CFO)
<b>Reid Sirrs</b>	A/Assistant Deputy Minister	Consular, Security and Emergency Management (CSO)

Name	Title	Branch
<b>Derrick Steward</b>	Chief Security Officer	Consular, Security and Emergency Management (CSO)
<b>Minh-Khai Trinh</b>	Director, Procurement, Contracting and Asset Management	International Platform

#### Procurement and Public Services Canada

Name	Title	Branch
<b>Anne Caron</b>	Manager, Consumer and Commercial Products Division	Acquisitions Program
<b>Eric German</b>	Senior Director, Consumer and Commercial Products Division	Acquisitions Program
<b>Cassandra Shannahan</b>	Supply Team Leader, Consumer and Commercial Products Division	Acquisitions Program
<b>Erica Schumacher</b>	Senior Analyst, Integrity and Forensic Accounting Services	Departmental Oversight
<b>Daniel Whalen</b>	Senior Analyst, Integrity and Forensic Accounting Services	Departmental Oversight



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