

Procurement Reform at the Canada Revenue Agency

Background

The *Administration Directorate* (AD), Finance and Administration Branch, is the main agent of change responsible for contracting, corporate services and telephony services across the Canada Revenue Agency (CRA). Under the *CCRA Act*, it has full accountability and authority for policies and activities for procurement and contracting. It is also responsible for the setting of policy directions and framework in these areas for CRA. This independence permits the Directorate to build solutions tailored to the CRA operations to better meet its management objectives and specialized needs in these areas.

The current environment in government presents many challenges. For example, the Expenditure Review Committee (ERC) has called for departments and agencies to review programs and functions with the goal of identifying costs and potential savings. This is being achieved in AD through a range of initiatives under the banner of Procurement Reform. As well, procurement has become more sensitive and subject to greater public scrutiny due to factors such as the proactive public disclosure of all contracts valued over \$10,000, the *USA PATRIOT Act*, and the *Gomery Inquiry*.

Project Objectives

- 1. Overall Project Objective** – To introduce Procurement Reform and a supporting infrastructure, offering best value and responsiveness that meets all the key corporate objectives outlined below.
- 2. Financial Management** - To ensure prudent financial management by employing the principles of modern comptrollership in all areas of service delivery and business decisions.
- 3. Innovation and Quality of Service** - To ensure efficiency and effectiveness in service delivery and enhanced risk management through the initiation of Business Transformation initiatives.
- 4. Stakeholder Satisfaction** - To consistently achieve a high level of satisfaction through enhanced stakeholder relationships. Consultations are done with all stakeholders in the development of the CRA Procurement Reform initiatives.
- 5. People Management** - To support employees in a changing environment, to assist them in understanding the need for change, while promoting professional development and continuous learning.

Project Participants

The AD management team is the driver behind Procurement Reform at CRA and is thus the nominee for the Summit magazine *Leaders in Public Procurement Award*. However, the contribution and commitment of employees from all Divisions, as well as the invaluable contribution of our internal clients and from our six regions and eleven branches cannot be overstated.

Project Description

The Procurement Reform Project involves developing business partnerships and practices that result in standardized products, reduced purchasing timeframes, and a consolidation of the spend in order to achieve best value and service for the CRA and its clients. In essence, this project involved changing the way the CRA conducts its procurement activities and thus a transformation in all areas of the organization.

The Procurement Reform Project Management Team identified a multitude of initiatives where close coordination, integration, phased-in implementation and communication were of the utmost importance. A long term Business Plan was prepared and approved by Senior Management. To support the Business Plan, a series

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of operational plans were prepared by all divisions of the Administration Directorate. The relevant operational plans across all divisions included the following initiatives:

- Strategic sourcing
- Development and enhancement of an e-procurement tool (called WBRO)
- Promotion of the use of acquisition cards
- Introduction of the Supply Chain management concept for specific commodities
- Process mapping of all procurement functions including roles and responsibilities
- Implementation of a standard organizational model
- Reorganization and reduction of resources
- Changes to the CRA *Delegation of procurement authorities Policy*
- Certification program for contracting authorities
- Review and update of various procurement policies
- Development of a Performance Measurement System¹
- Development and implementation of a Compliance and Quality Assurance program
- Review, update and creation of new procurement instruments and templates
- Dedicated support services to project authorities for the development of Statements of Work
- Development of service standards
- Service Level Agreements with all stakeholders
- Improved training and communications to support procurement officers and budget managers
- Increased corporate oversight of the contracting function through regular reporting to the Agency Management Committee (AMC) on contracting issues and significant achievements

While all these initiatives together make for the overall success of the Procurement Reform Project and provide the required infrastructure to sustain it, Strategic Sourcing and e-procurement established CRA as the leader in government procurement.

Strategic sourcing is the establishment of a contractual arrangement that promotes a long-term relationship with a vendor or group of vendors to supply goods and/or services on a best value basis. Strategic sourcing is directly linked to CRA's e-procurement initiative and enables the Agency to capitalize on these strategic partnerships and fully optimize processes, service delivery and product availability by providing clients with easy-to-use online access to goods and services while enforcing a standardized and compliant procurement process.

While the strategic sourcing initiative allows the Agency to establish contracts for certain commodities, the CRA e-procurement tool, WBRO, enables the Agency to post resulting catalogues on its internet-based, in-house developed, and fully automated procure to pay solution which allows users to place orders using acquisition cards as the method of payment. Users receive orders directly, eliminating the need for warehouse space to store goods. Furthermore, using WBRO to make purchases ensures user compliance since the rules are built right into the system. Since the system is linked to the CRA financial system (SAP), this provides management with the ability to run reports. The acquisition card post-payment reconciliation process is automated within WBRO.

Initially, low dollar value goods and services were targeted for strategic sourcing initiatives. However, other key CRA commodities such as Information Technology (IT) Hardware and Software, IT Consulting Services, Printing Services and Business Management Services were subjected to intense reviews and it was concluded that they had to be procured in a more effective and efficient manner to meet the requirements of existing and new programs. Most of the CRA's IT hardware such as desktop PCs, notebooks, servers, etc., and software, IT Consulting Services and a number of other services such as Translation Services and Printing Services, goods such as office supplies, paper, long service awards are all now procured through long term strategic sourcing

¹ Summit – March 2005 – *Measuring up – CRA develops performance management system*

contracts. Other commodities are presently under review for strategic sourcing and e-procurement implementation (e.g. courier and freight services, furniture components, multi-function devices, language training, temporary help services, car rental, etc.). The benefits are enormous not only from a monetary point of view but also from a client satisfaction perspective as delivery timeframes are improved significantly and client requirements are being met with greater efficiency.

Summary of Project Experience

Many resources were dedicated to the Procurement Reform Project. Resulting initiatives derive from the long term Business Plan, detailed Operational Plans, a commitment from all stakeholders including senior management and finally, strong leadership by the various project leaders and project authority.

The introduction of the first strategic sourcing initiative for office supplies², the introduction of CRA's e-procurement tool (WBRO) with its automated acquisition card reconciliation process fully integrated to the Agency's Corporate Administrative Systems i.e. SAP, were undoubtedly key elements in convincing all stakeholders and employees that there are better ways of doing business and that processes must be constantly adjusted to meet the demands of new technology and new and existing programs.

Other departments, realizing the advances being made by the CRA have expressed interest in the CRA's systems and services. For example, as part of the Government-Wide Review of Procurement, The Honourable Walt Lastewka, P.C., M.P. was given the mandate to review procurement practices in the federal government and among other things to introduce the Government of Canada Marketplace (GoCM) and has used the CRA as an example of what could and should be done in government procurement. Public Works and Government Services Canada (PWGSC) officials were aware that the CRA was already at the forefront of many of the initiatives they were contemplating (e.g. procurement renewal, introduction of an e-procurement tool, strategic sourcing, supply chain management, etc.). PWGSC officials have consulted and continue to consult with CRA representatives on a number of related issues, lessons learned, best practices, etc. The CRA experience and leadership in all aspects of procurement and service delivery will benefit all government departments. AD representatives sit on various committees and have been invited to present the CRA Procurement Reform on several occasions, at various venues, such as Government Technology Exhibition and Conference (GTEC) round tables, Materiel Management Institute (MMI) conferences, and the Canadian Public Procurement Council (CPPC) conference

The AD Business Plan and the Performance Measurement System, which are designed to identify and assess operational performance, highlight achievements, identify functional concerns, determine client satisfaction, and improve programs and services, have significantly contributed to the overall success of Procurement Reform at the CRA. The expectations of our clients to meet the requirements of new government programs are increasing and these can only be met through initiatives such as those already implemented and/or presently being developed and implemented at the CRA.

Contribution of Procurement Reform to Key Criterion:

1. Measurable and Significant Benefits

The CRA's unique authorities combined with its skilled and knowledgeable contracting resources have resulted in substantial cost savings to the Agency and this upward trend continues.

Through strategic sourcing, the CRA has established numerous contractual arrangements on a fully competitive basis that promote long-term relationships with vendors to supply goods and services on a best value basis. Resulting benefits are as follows:

² Summit – January 2005 – *Strategic Sourcing Savings*

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- Leveraged buying power (cost savings and volume discounts);
- Timely acquisitions (e.g. office supplies, desktops, and laptops can now be obtained within 24 to 48 hours; information technology professional services can be obtained within two days to two weeks as opposed to a number of months);
- Reduced maintenance costs due to standardized products such as IT hardware - desktop PCs, notebooks, servers, etc;
- User compliance through a standardized procurement process (from ordering to receiving and invoice reconciliation);
- Vendor compliance to the contracted pricing, terms and conditions;
- Strong partnerships with suppliers;
- Streamlined and standardized internal business processes; and
- All strategically sourced commodities have the option of payment by acquisition card.

The CRA's e-procurement tool, WBRO, has increased operational efficiency and expanded management reporting, monitoring, financial analysis and forecasting abilities. It has reduced processing costs, order-to-delivery timeframes, order errors, overhead and inventory costs and administrative workload by providing:

- End-users with easy-to-use, one-stop shopping;
- Eliminating the need for requisitions and purchase orders;
- Promoting user compliance through an easy-to-use purchasing, payment and reconciliation tool;
- Accurate, timely and detailed data for improved decision-making; and
- Just-in-time delivery of goods, eliminating the need for storage and stock

Furthermore, WBRO promotes green procurement by identifying products that support Sustainable Development with a green leaf symbol. The CRA is making significant progress towards green procurement through its Strategic Sourcing initiatives. For example, CRA has eliminated the use of virgin paper and negotiated a contract for the supply of paper manufactured from 30 to 100% recycled fibre content.

The method of payment for all e-procurement transactions is the acquisition card, which has resulted in a 65% reduction in the number of purchase orders at an average savings of \$300 per transaction, resulting in significant savings. Additionally, annual rebates of approximately \$355,000 are being realized through the high-volume of acquisition purchases on WBRO, and this figure will increase significantly once service contracts are paid for using acquisition cards.

Significant savings and benefits can also be analyzed on a by-commodity basis; for example, the CRA is achieving approximately 90% compliance with the office supply contract and realizing yearly savings of \$1.5M to \$5M over the 3-year life of the contract. Savings of up to 50% are being realized on commodities purchased through strategic sourcing. Last year the total savings were approximately \$24.5M and it is expected that the total savings on commodities over the next 3 years will easily surpass \$75M, especially as more commodities are obtained through strategic sourcing and the full benefits of recently implemented supply arrangements are realized.

The following table provides an overview of some of the substantial price reductions achieved with the introduction of strategic sourcing initiatives:

CRA Strategic Sourcing - Results

Commodity	% reduction from previous price or PWGSC Standing Offer
Office Supplies	5% to 48%
Paper	33%
IT Supply Chain	20%
Translation Services	33% to 50%

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Short-Run Printing	14.7%
Desktop Computers	25%
LAN Servers	15%
Notebook Systems	25%
Long Service Awards	18% to 20%

2. Innovation

- Strategic sourcing initiatives such as the IT Professional Services Supply Chain won the admiration/accolades of all internal clients for its quick and efficient and substantial cost savings and consequently CRA's Strategic Sourcing team was recognized with a Materiel Management Institute award for teamwork in May 2005
- CRA's e-procurement/WBRO project won a GTEC 2004 medal for the category of Enhancing Government Operations
- CRA's quest for a contracting tool and improved e-procurement solution is driving some aspects of the procurement reform in Government

3. Transferability

- Strategic sourcing methodology and strategies, contracting documents, best practices, lessons learned, advice, etc., can also be applied to other government departments and agencies
- The business process and design used in WBRO (a system that was developed in-house) can easily be transferred to any department. It is also integrated with the CRA Corporate Administrative Systems (SAP), the predominant finance system used in government
- CRA procurement specialists are already working closely with representatives of the Government of Canada Marketplace (GoCM) project as well as acting as members of various commodity councils

4. Advancing professionalism

The CRA has designed, classified and staffed a skilled and knowledgeable Administrative organization to facilitate the delivery of the Agency's new accountabilities and authorities, bringing the right mix of knowledge and experience for managing large and complex procurements. This leading-edge environment is key to attracting and retaining highly skilled individuals.

The approach that the AD has taken to Procurement Reform has elevated and professionalized the role of the procurement officer within the Agency. All procurement officers in the regions and branches are trained professionals with assigned delegation of authority. The AD has moved away from conducting procurement in the regions and has instead introduced the idea of the e-business officer whose role is to provide advice and training on the WBRO system, the use of acquisition cards, strategic sourcing arrangements, as well as to provide a monitoring and compliance function. Linking the strategic sourcing initiative to the e-procurement tool and acquisition cards puts the transactional activity in the hands of the end-user and frees procurement specialists to focus on higher-level procurement strategies, like supplier relationships, buying trends, project coordination, verification, and compliance.

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