



Treasury Board of Canada
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du Canada

Guide to Management of Materiel



Canada

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Table of Contents

1. Introduction	1
1.1 Purpose.....	1
1.2 Scope	1
1.3 Background	1
2. Objectives of Materiel Management	2
2.1 Fulfilling the requirements of the Treasury Board <i>Policy on Management of Materiel</i>	2
2.2 Fulfilling departmental policy requirements.....	9
2.3 Training and certification for materiel management	9
3. Life-Cycle Materiel Management.....	10
3.1 Assessment and planning.....	12
3.2 Acquisition.....	19
3.3 Operations and maintenance	23
3.4 Disposal of government assets	38
4. Financial Reporting of Government Assets	50
4.1 Asset records	51
4.2 Accounting systems for capturing assets	52
4.3 Linkages to year-end reporting and financial statements	52
4.4 Classification of assets	52
4.5 Whole asset versus component approach	53
4.6 Accounting for software	53
4.7 Valuation of capital assets.....	53
4.8 Writeoffs	53
4.9 Writedowns	54
4.10 Capturing transfers, donations, and loans of assets.....	55
4.11 Monitoring and asset verification to capture missed assets.....	55
4.12 Theft, loss, and damage.....	56
4.13 Gains and losses on capital assets	56
4.14 Accounting for inventories	56
5. General Transaction Guidelines	58
5.1 Solicitation of offers.....	59

5.2 Valuation.....	60
5.3 Policy conformity	61
5.4 Legal issues	61
5.5 Green procurement.....	61
5.6 Risk management.....	62
5.7 Performance management	63
6. Inquiries	66
7. References.....	67
Federal legislation	67
Treasury Board policy instruments.....	67
8. Glossary	69

1. Introduction

1.1 Purpose

The purpose of this Guide is to assist managers in implementing the government's *Policy on Management of Materiel* and its directives related to materiel management.

Based on a life-cycle approach, this document provides guidelines and good practices that complement the mandatory direction provided in the Policy. In some cases, it also details procedures to be followed stemming from the application of other Treasury Board policies and directives. This format enables managers to adhere to a common set of procedures and to ensure that their decision-making and management practices are consistent with the full range of good practices and guidelines relevant to the management of materiel.

Note: "Department" refers to departments and agencies named in Schedule 2 of the *Financial Administration Act*.

1.2 Scope

Flowing from the Treasury Board *Policy on Management of Materiel*, this document sets out guidelines and good practices for the management of materiel. The content of this Guide, the Policy, and its associated directives should be read in conjunction with other policies and requirements that are outside the scope of this document. The reader is encouraged to review the *Policy on Management of Materiel*.

This chapter highlights and expands on some mandatory policy direction and provides guidance and additional information on the management of materiel.

1.3 Background

Ministers are accountable for the management of materiel to support the delivery of programs according to their departmental mandates. Deputy heads are accountable to their respective ministers and to the Treasury Board for the sound stewardship of the materiel entrusted to them or used by their respective organizations.

This managerial structure is framed by the principles set out in the *Policy on Management of Materiel*. The Policy must be read in the context of related Treasury Board policies, especially those governing investment planning, contracting, and project management. In fulfilling these responsibilities, it is important that managers adhere to the *Values and Ethics Code for the Public Service* produced by the Canada Public Service Agency.

Note: This Guide was developed to provide departments with the best advice available on how to implement the requirements set out in the Treasury Board's *Policy on Management of Materiel*. While adherence to this Guide is voluntary, the Treasury Board of Canada Secretariat may request that departments explain any deviation from the advice provided.

Additional mandatory requirements are set out in the four Treasury Board directives associated with the *Policy on Management of Materiel*:

- ▶ *Controlled Goods Directive*;
- ▶ *Directive on Fleet Management: Executive Vehicles*;
- ▶ *Directive on Fleet Management: Light Duty Vehicles*; and
- ▶ *Directive on Disposal of Surplus Materiel*.

2. Objectives of Materiel Management

The management of materiel is very much a balancing act. It requires that departments fulfill program objectives while balancing financial and efficiency-related materiel considerations with broader public issues and considerations, such as environmental impact. The objective of the *Policy on Management of Materiel* is for materiel to be managed by departments in a sustainable and financially responsible manner that supports the cost-effective and efficient delivery of government programs.

2.1 Fulfilling the requirements of the Treasury Board *Policy on Management of Materiel*

Departments require a framework for managing materiel that does the following:

- ▶ reflects an integrated approach to risk management;
- ▶ provides relevant performance information;
- ▶ establishes clear accountability and decision-making regimes that are consistent with organizational resources and capacity; and
- ▶ supports timely, informed materiel management decisions and the strategic outcomes of departmental programs.

The overall extent to which departments' materiel assets meet the Policy's requirements is measured by an ongoing and systematic assessment of the physical condition, functionality, use, and financial performance of these assets against established targets based on appropriate benchmarks.

The policy requirements, which are aligned with life-cycle materiel management, are detailed throughout this Guide.

2.1.1 Materiel management framework

The *Policy on Management of Materiel* (section 6.1.1) requires deputy heads to ensure that a materiel management framework is in place and that it does the following:

- ▶ reflects an integrated approach to risk management;
- ▶ provides relevant performance information;
- ▶ sets out clear accountability and decision-making regimes that are consistent with organizational resources and capacity; and
- ▶ supports timely, informed materiel management decisions and the strategic outcomes of departmental programs.

Departments have a responsibility to establish and maintain a management framework that consists of the following:

- ▶ appropriate accountability and decision-making structures;
- ▶ clearly communicated authorities;
- ▶ segregated responsibilities
- ▶ appropriate policies and practices; and
- ▶ appropriate management, financial, and materiel information systems that support informed decision making and allow for adequate performance monitoring.

2.1.2 Performance management

The *Policy on Management of Materiel* (sections 6.1.1 and 6.1.2) requires deputy heads to ensure the following:

- ▶ a materiel management framework is in place that provides relevant performance information; and
- ▶ the overall extent to which departmental materiel assets meet program requirements is measured by an ongoing and systematic assessment of the physical condition, functionality, use, and financial performance of these assets against established targets based on appropriate benchmarks.

A primary component of materiel management systems in the government is a systematic performance measurement framework that provides management with the assurance that materiel management objectives in support of program delivery are being achieved. Departments should establish proper materiel management practices for monitoring asset performance to ensure that repairs, refurbishing, and replacements are carried out before the assets become unserviceable, uneconomical, or both. Establishing these practices is a key objective of life-cycle materiel management—to be aware of asset life, storage restrictions, and repair and maintenance schedules so that the asset may be properly managed and maintained.

Departments should have in place an enterprise-wide, integrated materiel management performance management system that would enable materiel managers, at all levels, to establish performance standards and indicators and to achieve an accurate understanding of how well assets are being managed overall. The reports from performance and measurement systems will help support informed decision making about the allocation of resources within and by departments.

2.1.3 Management strategies

The *Policy on Management of Materiel* (section 6.1.3) requires deputy heads to ensure the following:

- ▶ capital acquisition, operations and maintenance, and disposal strategies are developed based on the findings of ongoing and systematic performance assessment and on an economic and program analysis that considers the full life-cycle costs and benefits of alternative solutions to meeting program needs for materiel assets.

Departments should employ materiel management strategies that add value and support their objectives and priorities through the delivery of the most effective, efficient, timely, and modern materiel management program—providing the right materiel, at the best value, at the right time, while also adhering to government policies and regulations to ensure proper stewardship.

2.1.4 Protection of assets

The *Policy on Management of Materiel* (section 6.1.4) requires deputy heads to ensure the following:

- ▶ the risk of loss of or damage to federal materiel assets is minimized.

Departments have a responsibility to safeguard public assets. This responsibility includes the implementation of measures for the protection of assets (materiel) and detection of losses. As well, departments must support the national interest and the Government of Canada's business objectives by safeguarding employees and assets and assuring the continued delivery of services. A department's security measures can only be as effective as its ability to monitor its compliance and react to incidents. That is, security policies must also include provisions for the regular inspection and monitoring of asset holdings and the procedures that must be followed when an incident occurs.

2.1.5 Heritage

The *Policy on Management of Materiel* (section 6.1.5) requires deputy heads to ensure the following:

- ▶ heritage collections are identified and protected;
- ▶ the heritage value of these assets is assessed; and
- ▶ a record of these assets is kept that includes accurate information on their nature and condition.

The Government of Canada is committed to ensuring that cultural heritage is safeguarded for the benefit of all Canadians and is accessible to them. Heritage property can have individual or collective meaning and heritage value and, in many instances, contribute to telling Canada's story. For further information refer to the Treasury Board *Guide to the Management of Movable Heritage Assets*.

2.1.6 Vehicle management

The *Policy on Management of Materiel* (section 6.1.6) requires deputy heads to ensure the following:

- ▶ light duty vehicle fleets and executive vehicles are managed as set out in the Treasury Board *Directive on Fleet Management: Light Duty Vehicles* and in the Treasury Board *Directive on Fleet Management: Executive Vehicles*.

Departments are responsible for the management of light duty vehicles. Light duty vehicles are purchased using departmental funds, and, although central agency direction can influence purchasing decisions, departments are fundamentally responsible for deciding how many vehicles they require and the composition of vehicles necessary to fulfill their operational duties. Departments and agencies are essentially responsible for all phases of the light duty vehicle life cycle; however, they are guided by the policy direction provided by the Treasury Board. Most departments have their own internal policy related to the ownership, use, maintenance, and disposal of light duty fleets in place, while other departments may simply refer to the applicable Treasury Board policies, directives, and regulations. For further information refer to the Treasury Board *Guide to Fleet Management*.

2.1.7 Environment

The *Policy on Management of Materiel* (section 6.1.7) requires deputy heads to ensure the following:

- ▶ material assets are managed and disposed of in an environmentally responsible manner consistent with the principles of sustainable development.

Departments have the responsibility to manage assets in a manner that minimizes the effect on the environment and promotes sustainable development. This responsibility includes applying the three R's (reduce, reuse, and recycle) at each phase of life-cycle materiel management. Specifically, departments should work to minimize resource use, limit the use of hazardous substances, dispose of waste (both hazardous and non-hazardous) in an appropriate manner, and procure greener products. Sustainable development means development that meets the needs of the present without compromising the ability of future generations to meet their own needs. In practice, this means that environmental, social, and financial considerations should all be considered in an organization's decision-making process.

Further information on departments' responsibilities for advancing the protection of the environment and supporting sustainable development is included in the *Policy on Green Procurement*, published on the website for the Office of Greening Government Operations at Public Works and Government Services Canada.

2.1.8 Information management

The *Policy on Management of Materiel* (section 6.1.8) requires deputy heads to ensure a materiel management information system is in place that does the following:

- ▶ is compliant with the requirements of all applicable Treasury Board policies and standards governing the management of information and information technology;
- ▶ enables the collection and generation of complete and accurate data on materiel asset holdings (capital assets, inventories, and materiel in use);
- ▶ incorporates a risk-based stocktaking schedule;
- ▶ is integrated with departmental financial information systems;
- ▶ is integrated with its program objectives and Management, Resources, and Results Structure; and
- ▶ supports timely, informed materiel management decisions.

Departments have the responsibility to provide both quantitative and qualitative information on the effectiveness of their materiel assets in meeting program requirements. A critical component of any materiel management system is an effective information management capability. This capability is normally achieved through the use of an enterprise resource planning (ERP) system, which offers the following benefits:

- ▶ a common database;
- ▶ a single point of entry for data;
- ▶ the elimination of redundant data;
- ▶ the enabling of different users to work with the same information; and
- ▶ ease of access to department-wide data.

Asset visibility is a standard concept in materiel management, universally valued but implemented in vastly differing ways depending on the strategic objectives of the organizations involved. In general terms, asset visibility means the storing and easy retrieval of standard and integrated data that concern materiel holdings, are visible in the same formats, and provide the same information to all management levels and materiel holding points throughout the supply chain. An ERP system can provide a standard set of data related to the life-cycle management of assets, no matter where it is held. This offers effective and efficient management of assets throughout their life cycle and ensures the integration of materiel management, real property, financial, and human resources data.

2.1.9 Transfer of assets

The *Policy on Management of Materiel* (section 6.1.9) requires deputy heads to ensure the following:

- ▶ the acceptance and treatment of sponsored and donated assets are consistent with the requirements set out in the *Communications Policy of the Government of Canada* and in the *Policy on Alternative Service Delivery*.

The transfer of one department's materiel to another department is strongly encouraged when the use of the materiel is in support of government programs and the use or exchange is cost-effective for the government as a whole. The original department remains responsible for the custody and control of its surplus assets, including its operating costs, until title is transferred to another owner.

2.1.10 Asset loans

The *Policy on Management of Materiel* (section 6.1.10) requires deputy heads to ensure the following:

- ▶ every loan of a material asset is made by way of a written contract that meets the legal requirements set out in the *Public Property Loans Regulations*.

The lending of departmental materiel to Crown corporations, other governments' agencies, or the private sector should only take place to support departmental programs or activities. The loan of equipment should not be treated as a method of disposal. Asset loans should be used to make

more efficient use of departmental resources by reducing the need to buy additional equipment when available items can serve the purpose. All loans of materiel must be effected using a contract and must comply with the *Public Property Loans Regulations*.

2.1.11 Controlled goods

The *Policy on Management of Materiel* (section 6.1.11) requires deputy heads to ensure the following:

- ▶ material assets designated as controlled goods, as defined in Part 2 of the *Defence Production Act*, are given the level of protection necessary to prevent their unauthorized examination, possession, or transfer; and
- ▶ controlled goods are managed in compliance with the Treasury Board *Controlled Goods Directive*.

With respect to managing controlled goods, departments must have procedures to meet strict policy requirements. The *Controlled Goods Directive* affects all aspects of life-cycle materiel management. Inventory control and disposal management of controlled goods, however, are key to managing them successfully. Departments must ensure that access to their controlled goods is restricted and that all disposals of such goods follow the special requirements of the Directive. When using the disposal services of Public Works and Government Services Canada (PWGSC) or those of PWGSC's contractors, departments must ensure that controlled goods are clearly identified as such when they are declared surplus. Departments must keep and maintain detailed inventory records and establish and implement a security plan for each place of business in Canada where controlled goods are kept. Departments must provide training programs for the secure handling of controlled goods. The Controlled Goods Directorate at PWGSC must be advised, without delay, of any security breaches in relation to controlled goods.

2.1.12 Disposal

The *Policy on Management of Materiel* (section 6.1.12) requires deputy heads to ensure the following:

- ▶ the disposal of surplus materiel assets is concluded as effectively as possible, as soon as possible after they become surplus to the requirements of program delivery, and in a manner that obtains highest net value for the Crown; and
- ▶ the disposal of surplus materiel assets must be carried out in compliance with the Treasury Board *Directive on Disposal of Surplus Materiel*.

The identification and disposal of surplus materiel is a critical part of life-cycle materiel management. When it is beyond cost-effective repair or is surplus to the requirements of the Crown, materiel should be declared surplus and disposed of in a manner that obtains best value for the Crown. In this context, *best value* refers to the selection of a disposal method that obtains the best return for the Crown, taking into account the market price for disposals and the global

costs of disposing, including handling, warehousing and maintenance, transportation, overhead, amortization, staff time, and timing of cash expenses and sales, as well as any other related costs. Timely and effective disposal not only yields significant direct and indirect benefits, but it also represents an additional way for departments to visibly support broader government environmental objectives. The sale of surplus departmental materiel can realize new revenue for the department, thereby helping to leverage scarce resources. (See also subsection 3.4 of this Guide, “Disposal of government assets”).

2.2 Fulfilling departmental policy requirements

Departmental policy provides materiel management employees with formal direction that imposes specific responsibilities and accountabilities within the department. Materiel management specialists must combine their functional expertise with their responsibility to contribute to the management team. This will help the management team satisfy the requirements of the Treasury Board Management Accountability Framework, a set of expectations for good public sector management in a number of different management areas.

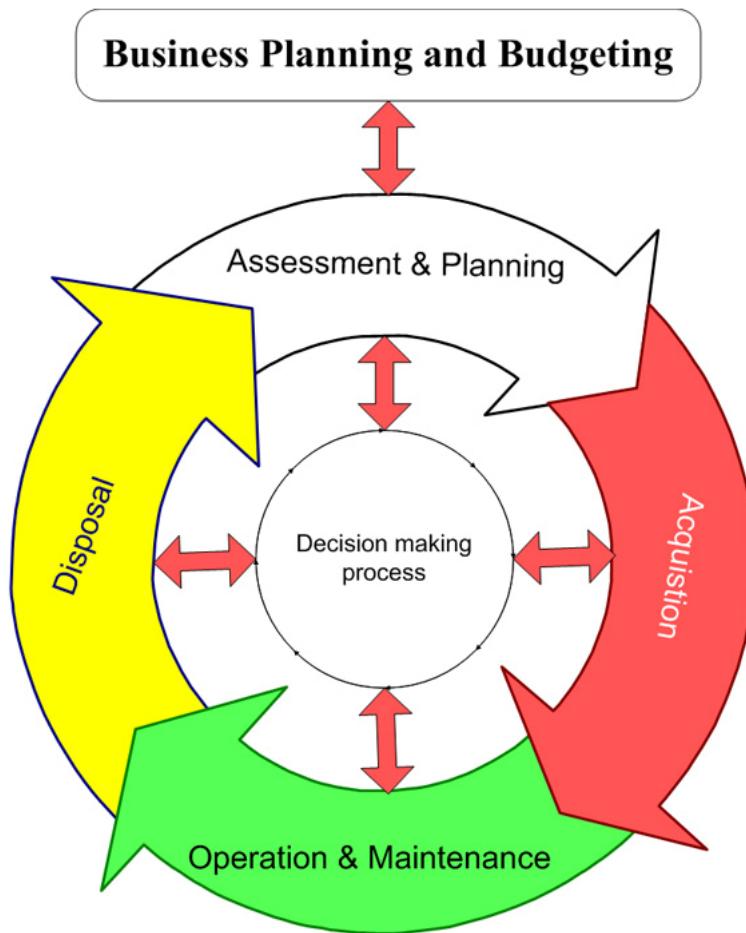
2.3 Training and certification for materiel management

Human resources are key to materiel management in supporting departments and agencies in the delivery of their programs. To ensure that employees have the skills, knowledge, and competencies to implement the various policies and manage the government’s assets and acquired services, a Professional Development and Certification Program was developed for the federal government’s procurement and materiel management functional specialists. This program is managed by the Procurement, Materiel Management and Real Property (PMMRP) Community Management Office (CMO) at the Treasury Board of Canada Secretariat.

For employees working in materiel management, a professional designation as certified federal specialist in materiel management (CFSMM) may be obtained through the Canadian General Standards Board (CGSB), the certification body for the federal government. A professional designation as certified federal specialist in procurement (CFSP) may also be acquired. The Certification Manual, Handbook and forms are available on the CGSB website at <http://www.ongc-cgsb.gc.ca>.

For more information on the Federal Government Professional Development and Certification Program, please visit the PMMRP CMO website at <http://www.tbs-sct.gc.ca/pd-pp>.

3. Life-Cycle Materiel Management



Life-cycle materiel management is the effective and efficient management of assets from the identification of requirements to the disposal of the assets. Materiel management strategies must always consider the full life-cycle costs and benefits of the alternatives for meeting program requirements. By using life-cycle costing techniques, departments can evaluate the total costs to the Crown of owning or leasing an asset before it is acquired. This evaluation is accomplished by considering such factors as the current value of the costs of future operation, maintenance, and disposal, in addition to initial and ongoing capital costs. Estimating life-cycle costs also creates standards by which costs can be monitored and controlled after acquisition. By adopting this approach to the management of materiel, departments can ensure that their materiel management and asset management decisions are financially prudent and represent the best value to the Crown.

The departmental planning phase, which includes business planning and budgeting, is the initial process that determines a department's priorities and strategic program objectives. The materiel life-cycle management process is based on these priorities and objectives.

The extended life of materiel assets has important implications for decision makers. For instance, an acquisition decision that is based on the lowest purchase price but that ignores potential operations and maintenance (O&M) costs may result in higher overall costs. Decision making in life-cycle materiel management is an interactive process that considers all four phases of an asset's life cycle. Effective management requires that an appropriate level of management interest and control be maintained through all phases in the materiel asset's life cycle.

The four phases of life-cycle materiel management are as follows:

1. assessing and planning materiel requirements;
2. acquiring materiel resources;
3. operating, using, and maintaining materiel; and
4. disposing of materiel.

Tip:

The life-cycle cost (LCC) of materiel assets can be expressed by the following simple formula: $LCC = \text{planning costs} + \text{acquisition costs} + \text{use and operating costs} + \text{disposal costs} - \text{residual value}$.

3.1 Assessment and planning



The overriding objectives of assessment and planning are as follows:

- ▶ to ensure that the asset obtained best fits the program or departmental requirements; and
- ▶ to ensure that the department's asset base supports its program objectives.

The Policy on Investment Planning—Assets and Acquired Services (section 6.1.2) states that deputy heads are responsible for ensuring that departmental investment planning does the following:

- ▶ is influenced by and supports departmental strategic planning;
- ▶ incorporates departmental, portfolio, horizontal, and government-wide perspectives and takes into account strategic government-wide initiatives;
- ▶ is aligned with outcomes as set out in the department or agency's Management, Resources, and Results Structure and considers areas of greatest risk in achieving departmental objectives;
- ▶ is influenced by an assessment of the performance, costs, and risks of assets, service arrangements, and projects;
- ▶ considers alternative and innovative options for meeting asset and service requirements, including internal and external delivery models and a range of instruments;
- ▶ is within existing reference levels; and

takes into account the whole-of-life cost of stewardship based on the life cycle of assets and services.

3.1.1 Assessment

Departmental asset assessment is the evaluation of requirements for new and existing assets that are essential to program delivery.

Objective:

- ▶ To ensure that the asset obtained best fits departmental requirements

Good practices:

- 1) Assess the specifications to ensure that materiel needs align with the following:
 - a) program needs;
 - b) operational needs;
 - c) service delivery needs; and
 - d) government-wide objectives, such as advancing the protection of the environment.

Considerations:

- ▶ Ensuring that a high-level needs assessment of the department's materiel requirements is performed consequent to its business-planning and budget-setting process
- ▶ Performing an assessment for a proposed specific asset:
 - What specifications are required of the asset?
 - What is the length of time the asset will be required?
 - Is there a temporary or permanent requirement for the asset?
 - When is the asset required?
 - What is the number of assets required?
- ▶ Performing a cost-benefit analysis on obtaining the asset:
 - Is it better to lease, buy, build, or borrow the asset?
- ▶ Assessing technical obsolescence:
 - Is the asset no longer technically superior to other similar products?
- ▶ Assessing personnel and training requirements:
 - Does the department have the resources to administer the asset or assets and provide continual support?
- ▶ Taking into account infrastructure considerations:

- What are the health and safety, security, and storage (warehousing) requirements?
- Is there an infrastructure in place to handle the acquired asset or assets, and if so what are the costs, including those related to fit-up?
- What are the additional costs if the infrastructure is not in place?

► Government-wide initiatives:

- Are there government-wide mandatory requirements that must be followed for the acquisition of some assets?

2) Analyze and evaluate the ways in which materiel requirements can be met, taking into consideration the following:

- a) the total life-cycle costs (e.g. of forecasted use, modifications, conversions, repairs, and replacement);
- b) the benefits of commercially available items as opposed to custom-made items; and
- c) opportunities to implement green procurement strategies.

Considerations:

- Establishing standards that, in many cases, will allow for procurement of off-the-shelf assets, which may greatly reduce costs overall
- Establishing a centre of expertise (COE) for the procurement of specific common assets such as computers, cellphones, and BlackBerrys

Note: This process can lead to volume-discount purchases and may permit better in-house support of systems.

3.1.2 Planning

Departmental planning is the function of allocating and reallocating resources that are essential to program delivery; it is a key element in achieving value-for-money and sound stewardship.

Objective:

- To ensure that the department's asset base supports its program objectives and government-wide initiatives

Good practices:

- 1) Determine the total cost of ownership over the life cycle of the asset.

Considerations:

- ▶ The initial cost of the item and the relative costs of the following procurement options:
 - to share existing departmental assets or the assets of other government departments;
 - to build the asset from within the department's resources (a make-or-buy decision); and
 - to rent or lease the asset, if feasible.
- ▶ The ongoing operations and maintenance (O&M) costs:
 - Operational cost; for example:
 - Are all training costs included?
 - Are the costs of fuel and lubricants included?
 - Scheduled maintenance costs; for example:
 - Are all repair costs included?
- ▶ Financial cycle; for example:
 - Is appropriate funding available and was it planned for in the department's long-term investment plan?
- ▶ Procurement costs
- ▶ Storage costs

Further information on costing can be obtained from the Treasury Board *Guide to Costing* (2008).

2) Take into account green procurement strategies or sustainable development considerations.

Considerations:

- ▶ Green procurement objectives
- ▶ The three R's:
 - Reduce: Is there a need for the purchase? Are there opportunities to reduce consumption? Can demand for the item by multiple users be combined? Can a service meet the need?
 - Reuse: Can a second-hand or used item meet the requirement? When reusing items, consider costs of refurbishing and maintenance.
 - Recycle: Can the item be recycled at the end of its life? Do programs exist for recycling?

Note: Additional considerations for each phase of the life cycle can be found in the “Green Procurement Principles” section of the *Environmental Awareness Tool Kit* and in Section 2, “Planning and Identifying Requirements,” of Public Works and Government Services Canada’s *Guideline for Integration of Environmental Performance Considerations in Federal Government Procurement*.

- 3) Request that facilities are designed to safeguard sensitive or valuable materiel assets from threats, including theft and fire.
- 4) Establish procedures to allocate, distribute, and schedule the use of materiel. The asset manager should regularly assess the efficiency and effectiveness of these procedures.

Considerations:

- ▶ Making the following clear during the planning phase:
 - Authorities:
 - Has it been established who has the authority to purchase the asset?
 - Have all the acts that restrict certain departments from acquiring certain goods or services been reviewed?
 - Delegations:
 - What responsibilities are delegated to the minister of the department by the minister of Public Works and Government Services for goods procurement?
 - What are the delegation levels for signing internal requisition and procurement documents?
 - Do the fund centre managers in the department understand their responsibilities under the Delegation of Financial Signing Authorities Chart?
 - Is there an understanding of sections 32, 33, and 34 of the *Financial Administration Act*?
- ▶ Addressing legislative requirements:
 - Treasury Board policy requirements
 - Is the department aware of any Treasury Board policy requirements that will affect its procurements?
 - For further information refer to the Treasury Board *Contracting Policy* and the Treasury Board *Procurement Review Policy*.

- International and national agreements
 - Is the department aware of any international or national restrictions that will affect its procurements?
 - Departments may obtain a list of trade-related obligations from the Foreign Affairs and International Trade Canada website.
 - For further information refer to the Treasury Board *Contracting Policy*.

- 5) Take into account lessons learned, outcomes, and challenges from previous procurements. These should be captured and incorporated in the planning of life-cycle materiel management.
- 6) Acquire commercially available items unless custom-made items are essential to operational requirements.

For further information refer to the following:

Legislation

- *Financial Administration Act*

Treasury Board policy instruments

- *Policy on Investment Planning—Assets and Acquired Services* (2007, fully in effect in 2011)
- *Policy on Long-term Capital Plans* (1994). Note: This policy is still in effect until the Policy on Investment Planning—Assets and Acquired Services is implemented throughout the government.
- *Contracting Policy* (2006)
- *Procurement Review Policy* (1994)

Other government policy instruments

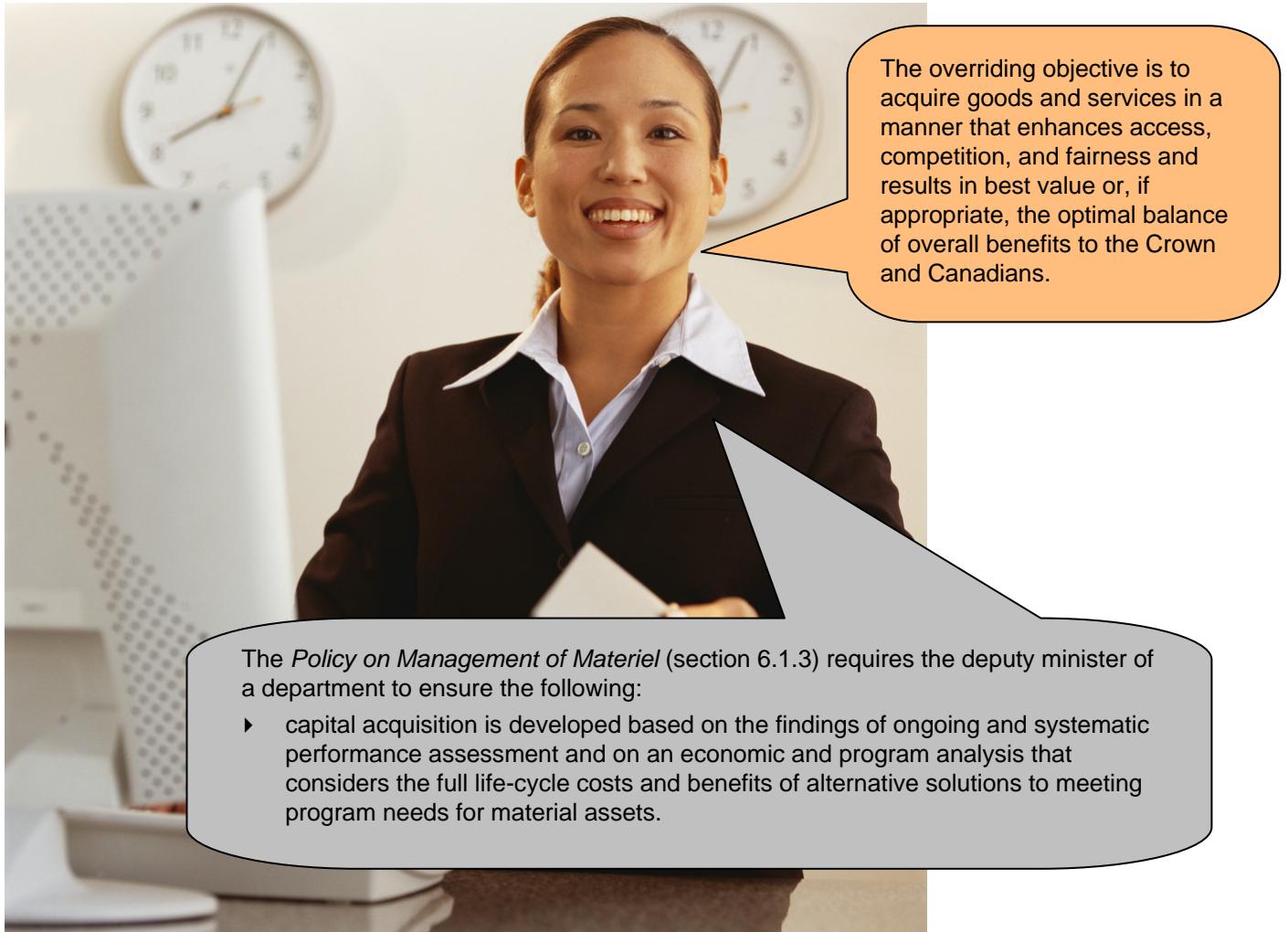
- *Policy on Green Procurement* (2006)

3.1.3 Summary of requirements

The following is a partial list of issues that must be considered in a review of materiel management for the acquisition of government assets. Departmental acquisitions are influenced by the Treasury Board *Policy on Investment Planning—Assets and Acquired Services* (2007). Any acquisition must do the following:

- be influenced by and support departmental strategic planning;
- incorporate departmental, portfolio, horizontal, and government-wide perspectives and take into account strategic government-wide initiatives, including sustainable development;
- be aligned with outcomes as set out in the department's Management, Resources, and Results Structure and consider areas of greatest risk in achieving departmental objectives;
- be influenced by an assessment of the performance, including cost, and risks of assets, services arrangements, and projects;
- consider alternative and innovative options for meeting asset and service requirements, including internal and external delivery models and a range of instruments;
- be within existing reference levels; and
- take into account the whole-of-life cost of stewardship based on the life cycle of assets and services.

3.2 Acquisition



3.2.1 Acquisition of government assets

Procurement starts from an idea and continues through the definition of the requirements, acquisition, delivery, receipt, and payment. Acquisition is the process that begins with certification under section 32 of the *Financial Administration Act* and ends with the delivery of a good or service.

Objective:

- To acquire goods and services in a manner that enhances access, competition, and fairness and results in best value or, if appropriate, the optimal balance of overall benefits to the Crown and the Canadian people

Note: When considering the acquisition of new assets or replacing existing ones, managers should consider all the phases of the life cycle of that asset. The objective is to determine the total cost of each option that is being evaluated to meet the need that has been identified and to minimize the life-cycle materiel management cost.

Good practices:

- 1) Take into account the requirements for quality, performance, reliability, lead time, and delivery when acquiring assets.

Considerations:

- ▶ Selecting materiel based on an assessment of requirements and performance specifications; for example:
 - Clearly define environmental criteria and performance requirements in solicitation and contract documents
 - Identify environmental performance opportunities in the planning and requirement definition stage
- ▶ The duty to accommodate:
 - Define the requirements for employees with disabilities and health problems
 - To address accommodation requirements, acquire specialized furniture or equipment when it is cost effective to do so

Note: A medical certificate is not required to justify the purchase of specialized furniture or equipment. The manager should be convinced, however, that the purchase will resolve the problem. Because of the unique nature of specialized furniture and equipment, departments must facilitate the transfer of the furniture with the employee as long as the employee remains with the federal government.

- 2) Employ the most cost-effective means of acquisition (i.e. purchase vs. rental or lease), taking into account the life-cycle materiel management costs (including investment recovery).

Considerations:

- ▶ Following up on the delivery of materiel and inspecting goods on delivery to ensure they meet contract specifications
- ▶ Ensuring appropriate quality assurance and the testing of materiel
- ▶ Evaluating total life-cycle costs as part of the selection process
- ▶ Making standing offers for some computer equipment (such as printers) that include a provision for the supplier to take back the asset at the end of its useful life

- 3) Support the economic development of Aboriginal peoples through federal procurement. For further information refer to the Indian and Northern Affairs Canada website on the Aboriginal Set-Aside Program.
- 4) Ensure that the government cost-effectively procures, operates, and disposes of its assets in a manner that protects the environment and supports sustainable development objectives. For further information refer to the website of the Office of Greening Government Operations at Public Works and Government Services Canada (PWGSC).
- 5) Support small and medium enterprises that want to do business with the Government of Canada. For further information refer to the PWGSC website for the Office of Small and Medium Enterprises.
- 6) Consult the PWGSC's list of Mandatory Standing Offers Categories.

For further information refer to the following:

Treasury Board policy instruments

- ▶ *Policy on Management of Materiel* (2006)
- ▶ *Procurement Review Policy* (1994)
- ▶ *Contracting Policy* (2006)

Other federal policy instruments

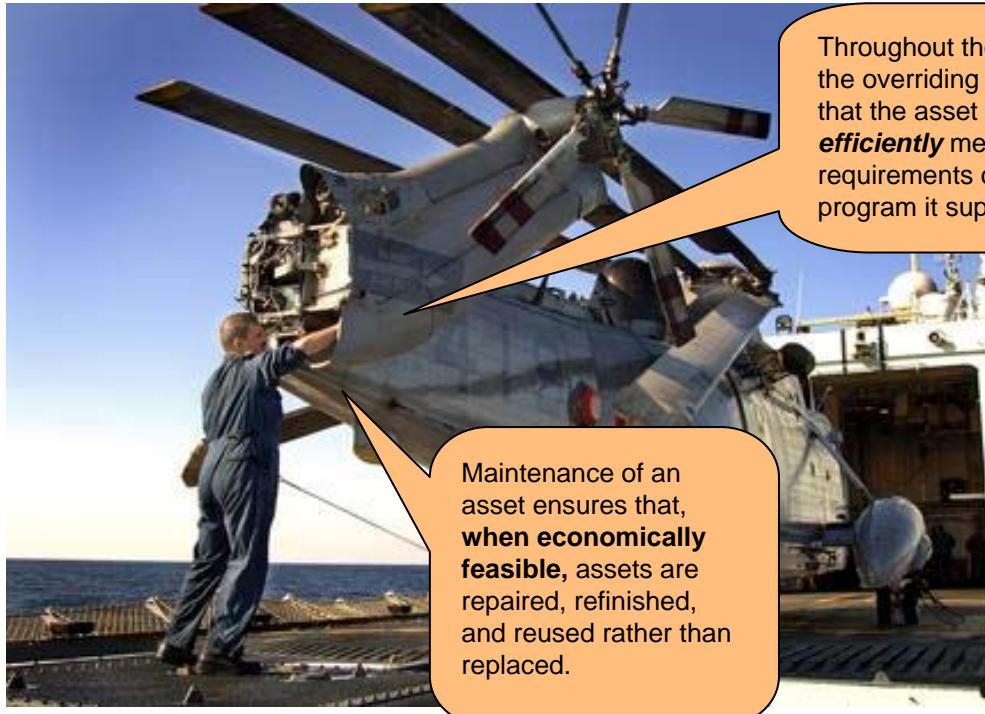
- ▶ *Policy on Green Procurement* (2006)

3.2.2 Summary of requirements

The following is a partial list of issues that must be considered in a review of materiel management for the acquisition of government assets.

- Public service employees must fulfill the Canada Public Service Agency's *Values and Ethics Code for the Public Service* and must not only act within the law at all times but also must act as though the Criminal Code were in force in all places where they engage in commercial transactions on behalf of the government. Accepting bribes or other improper influence is specifically prohibited.
- Departments must ensure that adequate management controls are in place to protect the integrity of the bidding process.
- All government procurements must comply with the requirements of Treasury Board policies, including the *Contracting Policy* (2006) and the *Procurement Review Policy* (1994).
- All government procurements must comply with the requirements of the trade agreements to which the Government of Canada is a party.
- All government procurements must consider the opportunities afforded by the Aboriginal Set-Aside Program for Aboriginal economic development.
- All government procurement must consider the opportunities for green procurement.
- Any proposal involving expenditures above the delegated departmental contracting or project approval levels must be approved by the Treasury Board before request for proposals is issued.
- Where the procurement strategies proposed for significant projects require Cabinet approval, sponsoring departments must consult with the Treasury Board of Canada Secretariat in preparing the submission to Cabinet.
- Departments must allow employees with disabilities to retain technical aids, equipment, and support materials should they move to another position within the federal public service.

3.3 Operations and maintenance



Throughout the life cycle of an asset, the overriding objective is to ensure that the asset **fully, effectively, and efficiently** meets the program requirements of the department whose program it supports.

Maintenance of an asset ensures that, **when economically feasible**, assets are repaired, refinished, and reused rather than replaced.

The *Policy on Management of Materiel* (section 6.1.3) requires deputy heads of departments to ensure the following:

- operations and maintenance strategies are developed based on the findings of ongoing and systematic performance assessment and on an economic and program analysis that considers the full life-cycle costs and benefits of alternative solutions to meeting program needs for materiel assets.

3.3.1 Operation of government assets

Objective:

- ▶ To ensure that the asset fully, effectively, and efficiently meets the program requirements

Management of the asset

a) Receipt, inspection, and set-up of assets

Objective:

- ▶ To ensure that the goods meet the specifications of the contract or procurement document

Good practices:

- 1) Ensure that all goods are inspected when received to verify compliance with contract specifications, including any relevant performance criteria, standards, and certification.

Note: Goods that are visibly damaged should be returned at the cost of the supplier.

- 2) Before warehousing an asset or assignment and delivery to the client (end-user), ensure the following:
 - i. the asset has a bar code affixed to it to enable tracking of the asset; and
 - ii. the relevant asset information, such as the serial number and location of the asset, is communicated to the appropriate asset management staff.

b) Recording of assets

Objectives:

- ▶ To ensure a means of identifying and locating assets
- ▶ To keep track of the value and condition of the assets

Good practice:

- 1) Undertake regular physical verifications of departmental assets.

c) Assignment of assets

Objectives:

- ▶ To ensure a single point of control and accountability of the assets
- ▶ To ensure proper safeguards against the loss of materiel resulting from abuse, improper use, negligence, lack of maintenance, deterioration, damage, fire, accidents, and theft

Good practices:

- 1) Ensure that an employee is responsible for the safeguarding of assets at all times.
- 2) Ensure that all employees understand the proper operation and safekeeping of assets assigned to them.

d) On-the-job use of materiel assets

Objectives:

- ▶ To ensure that assets are used with the intent for which they were obtained
- ▶ To ensure that these assets are used in a manner that is representative of good management practices

Good practice:

- 1) Ensure the safe and environmentally respectful use of federal assets in the following ways:
 - a) providing clear direction on the proper use of assets to support targeted performance objectives;
 - b) adequately training employees in the safe use of their assets; and
 - c) managing the assets in an environmentally friendly manner; for example:
 - turning off assets when they are not in use (e.g. computers at the end of the workday);
 - enabling power-down or sleep modes;
 - keeping assets in optimal working order so that they operate at optimal efficiency; and
 - using environmentally friendly practices in the operation of assets (e.g. double-sided printing practices).

e) Employee use of materiel off government premises

There may be occasions when employees need to take Crown-owned materiel from Crown premises for work-related reasons. If the materiel is lost or damaged while it is off Crown premises, the employee is not normally responsible for its replacement unless the loss or damage was caused by an intentional omission or the commission of any act amounting to a wrongful act or negligence.

Note: The materiel is always Crown property; when it is no longer being used for work-related duties, managers are responsible for its return.

Objective:

- To ensure the off-premises use of departmental equipment for work-related reasons is monitored and aligned with program goals

Good practices:

- 1) Provide a form for the removal of materiel from the premises, or have a teleworking agreement signed by the fund centre manager and the employee before the materiel is removed from government premises.
- 2) Maintain a record of the materiel used by employees off premises and account for the materiel as if it were still held on government premises. The use of such materiel is not considered subject to the *Public Property Loans Regulations*.
- 3) Ensure that all the Crown's legal obligations are respected (e.g. software licences).

Storage of inventory

a) Inventory control

Inventory control is concerned with minimizing the total cost of the storage of assets.

Note: Appropriate accounting and control techniques may vary among departments depending on such factors as the quantities, dollar values, and attractiveness of asset items and the need for accurate cost information.

Objective:

- To ensure the total costs and consequences of not meeting the demand balance the total cost of storing the asset

Good practices:

- 1) When storing materiel, consider the general requirements of management for visibility, accountability, and control in all management and financial matters.

b) Warehousing

One of the prime requirements in a warehouse is the control of stock. Too much stock results in unnecessary expenses and risks, while stock outages may result in operational problems.

Objectives:

- ▶ To ensure that sufficient stock is on hand to meet an organization's immediate materiel requirements
- ▶ To minimize carrying costs and the risks of spoilage, pilferage, and obsolescence

Good practices:

- 1) Stock inventory that is considered appropriate for demand.
- 2) Evaluate the environmental impact associated with packaging and transportation in making decisions on the appropriate volume of inventory.

Asset loans

a) Asset loans to other government departments

Ministers of the Crown (or managers with delegated authority), departments, and all corporations included under Schedule 2 of the *Financial Administration Act* have the authority to enter into a loan agreement.

Objective:

- ▶ To reduce costs and ensure the efficient use of departmental resources by reducing the need to buy additional equipment when available items can serve the purpose

Good practices:

- 1) Ensure that the custodian manager has been delegated the authority to enter into the agreement.
- 2) Ensure that the inventory management system documents the loan.
- 3) Ensure that any cost arising from the loan is borne by the borrower.

- 4) Request that an asset loan agreement contain, when applicable, the following information (seek legal guidance in creating this agreement):
 - i. a complete description of the materiel being lent;
 - ii. the quantity of the materiel and its inventoried value;
 - iii. the purpose of the loan and the use to which the materiel on loan can be put;
 - iv. who has responsibility for the care and custody of the equipment on loan;
 - v. insurance requirements;
 - vi. the place of pickup and return of materiel;
 - vii. who has responsibility and the requirements for packing and transportation;
 - viii. whether it is the sole agreement, or relationship with or precedence of other agreements, and assignments and other restrictions;
 - ix. a statement that the lending authority may, at any reasonable time, inspect the public property and view its state of repair;
 - x. the term of the loan;
 - xi. a complete description of the consideration for the loan; and
 - xii. any security arrangements that the lending authority requires.
- 5) Seek appropriate ministerial delegation to facilitate loan agreements.

b) Asset loans to non-governmental organizations

Objective:

- To assist in the achievement of a program objective

Good practices:

- 1) Ensure that the loan of a materiel asset is only made if it will assist in the achievement of a program objective.
- 2) Ensure that every loan of a materiel asset involves a written contract that meets the legal requirements set out in the *Public Property Loans Regulations*.
- 3) Ensure that the inventory management system documents the loan.
- 4) Ensure that the custodian manager has been delegated the authority to enter into the agreement.

- 5) Ensure that the use of departmental equipment off premises is monitored and aligned with program goals.
- 6) Ensure that any cost arising from the loan is borne by the borrower.
- 7) Ensure that asset loan agreements contain, when applicable, the following information (seek legal guidance in creating this agreement):
 - i. a complete description of the materiel being lent;
 - ii. the quantity of the materiel and its inventoried value;
 - iii. the purpose of the loan and the use to which the materiel on loan can be put;
 - iv. who has responsibility for the care and custody of equipment on loan;
 - v. insurance requirements;
 - vi. the place of pickup and return of materiel;
 - vii. who has responsibility and the requirements for packing and transportation;
 - viii. whether it is the sole agreement, or relationship with or precedence of other agreements, and assignments and other restrictions;
 - ix. a statement of undertaking that the borrower will indemnify Her Majesty for, and save Her Majesty harmless from, all losses and claims of any kind in respect of the borrower's use of or possession of the public property;
 - x. a statement that the lending authority may, at any reasonable time, inspect the public property and view its state of repair;
 - xi. the term of the loan;
 - xii. a complete description of the consideration for the loan; and
 - xiii. any security arrangements that the lending authority requires.

For further information refer to the following:

- ▶ *Financial Administration Act*
- ▶ *Public Property Loans Regulations*

c) Loans from non-government organizations

To be completed in a later version of the Guide.

d) Loans to other levels of government (provincial, territorial, municipal)

To be completed in a later version of the Guide.

Management of hazardous goods

The management of hazardous goods may be necessary if a department includes research groups that use, for example, chemicals or radioactive substances.

Objective:

- ▶ To ensure the safe handling and storage of hazardous goods

Good practices:

- 1) Identify and maintain a record of all hazardous goods.
- 2) Follow the requirements found in the following:
 - a) the *Canadian Environmental Protection Act, 1999*;
 - b) the *Hazardous Products Act*;
 - c) the *Transportation of Dangerous Goods Act, 1992*;
 - d) the *Pest Control Products Act*;
 - e) the *Fisheries Act*; and
 - f) the *Canada Labour Code*.
- 3) Follow the regulations and Treasury Board policies associated with these acts.

Management of controlled goods

Objective:

- ▶ To ensure that materiel assets designated as controlled goods, as defined in Part 2 of the *Defence Production Act*, are given the level of protection necessary to prevent their unauthorized examination, possession, or transfer and are managed in compliance with the Treasury Board *Controlled Goods Directive*, Foreign Affairs and International Trade Canada's Export and Import Controls lists, and the requirements of the Controlled Goods Directorate of Public Works and Government Services Canada (PWGSC).

Good practices:

- 1) Establish and implement a security plan for each place of business in Canada where controlled goods are kept.
- 2) Include the following in the department's security plan:
 - a) the procedures for monitoring the examination, possession, and transfer of controlled goods;
 - b) procedures for reporting and investigating security breaches in relation to controlled goods;
 - c) a description of the responsibilities of the department's security organization and the identity of the individuals who are responsible for the security of controlled goods; and
 - d) the contents of security briefings and training programs given to employees and to registered or exempt contracted workers, as the case may be.

For further information refer to the following:

- ▶ *Defence Production Act*
- ▶ *Treasury Board Controlled Goods Directive*
- ▶ Foreign Affairs and International Trade Canada's Export and Import Controls lists
- ▶ the requirements of PWGSC's Controlled Goods Directorate

Identification of heritage, surplus, damaged, or obsolete assets

Objectives:

- ▶ To proactively manage departmental assets to facilitate their reallocation within the department or to another government department or organization or disposal by other methods
- ▶ To maximize the recovery of the Crown investment

Good practices:

- 1) Conduct regular reviews or stocktaking exercises to identify heritage, obsolete, or neglected materiel that might otherwise be set aside or left on the shelf:

- i. When heritage, obsolete, or neglected items are identified, departments should determine the condition and functionality of the items.
 - For heritage items, please refer to the Treasury Board *Guide to the Management of Movable Heritage Assets*.
- ii. For assets that are not used on an ongoing basis, this review would take into account the cyclical use of certain types of assets.

- 2) Develop and maintain a list of surplus assets available for reuse within the department or available for other government departments.
- 3) Consider disposal when assets are damaged, worn out, obsolete, or redundant.

Security of assets against theft, damage, and deterioration

Objective:

- To ensure that proper safeguards are in place against the loss of assets resulting from abuse, improper use, negligence, lack of maintenance, deterioration, damage, fire, accidents, and theft

Good practices:

- 1) Ensure that users of assets are informed of the proper operation and safekeeping of assets assigned to them.
- 2) Identify and categorize assets and critical services based on the degree of injury (low, medium, or high) that could reasonably be expected to result from a compromise to their availability or integrity.
- 3) Determine the value (e.g. monetary or heritage) of the assets to help determine the appropriate level of safeguarding.
- 4) Where necessary, follow the requirements of the *Standard Fire Alarm Systems* directive.

For further information refer to the following:

- Treasury Board *Government Security Policy*
- Treasury Board *Security and Contracting Management Standard*
- Treasury Board *Standard Fire Alarm Systems* directive

3.3.2 Maintenance of government assets

Objective:

- To ensure that, when economically feasible, assets are repaired, refurbished, and reused rather than replaced

Good practices:

- 1) Ensure that the department has access to contracts with suppliers for the repair of specific materiel assets. When selected, the contractor carrying out the repairs for the department must be supervised by the assets manager to ensure that the contracts are adhered to and that quality control standards are enforced.
- 2) Establish proper asset management practices to monitor asset performance in accordance with defined performance expectations and to ensure that repairs, refurbishing, or replacements are carried out before the assets become unserviceable, uneconomical to use, or both.
- 3) Establish detailed maintenance policies and procedures depending upon the types of equipment and materiel necessary.
- 4) Monitor and review materiel usage, condition, and consumption rates.
- 5) Create a strategy for maintaining equipment by determining the following:
 - whether procedures exist for the planning and scheduling of equipment inspection, testing, and maintenance;
 - whether equipment maintenance records are maintained;
 - whether performance expectations (including functional, financial, and environmental) are clearly defined based on contractual requirements and the manufacturer's statements of commitment, as appropriate;
 - whether records are kept of actual inspection, testing, maintenance, maintenance costs, and equipment performance and time lost while awaiting repairs;
 - whether the responsibility for reviewing maintenance records is assigned;
 - whether the information in maintenance records is used effectively;
 - whether there is a linkage of the information in maintenance records to the materiel forecasting process;
 - whether maintenance records are analyzed for purposes of assessing economies, efficiencies, and improvements in functional and environmental performance; and

- whether the costs of maintenance contracts are economical compared to the actual costs of repairs.

More specifically, maintenance can be broken down as follows:

Unscheduled maintenance or repairs

Unscheduled maintenance or repair is any restoration made to an asset that will return it to useful, functioning, or sound condition so that it may serve the purpose or purposes for which it was originally intended.

Objective:

- ▶ To ensure that the loss of productive use of the asset is minimized

Good practice:

- 1) Encourage repairs to assets periodically as required at the department's discretion.

Planned or scheduled maintenance

Planned or scheduled maintenance consists of planned work performed on assets to help them reach their originally anticipated lifespan.

Note: Scheduled maintenance procedures are usually tied to the requirements of the manufacturer's warranty.

Objective:

- ▶ To keep downtime to a minimum, while still maintaining the asset in such a condition that both use and cost goals are achieved

Good practices:

- 1) Be familiar with the asset's contractual performance requirements.
- 2) Be familiar with the asset manufacturer's warranty requirements, and when necessary incorporate these procedures into the asset's maintenance programs.
- 3) Establish and implement a process that tracks performance to ensure that requirements are met.

Preventive maintenance

The primary goal of preventive maintenance is to prevent the failure of equipment before it actually occurs. Preventive maintenance is designed to preserve and enhance equipment

reliability by replacing worn components before they fail. The ideal preventive maintenance program would prevent all asset failures before they occur.

Objective:

- ▶ To ensure the preservation of the useful life of an asset

Good practices:

- 1) Use preventive maintenance when and where it is appropriate.
- 2) Encourage the performance of a cost-benefit analysis before making strategic repairs to assets. The information gleaned could be subsequently incorporated into the decision-making processes on asset disposal.

Betterments

Betterments consist of any modifications, conversions, upgrades, or additions that enhance or otherwise increase the functionality, efficiency, or capacity of an original asset or one of its component parts.

Objective:

- ▶ To enhance the usefulness of an asset

Good practice:

- 1) Conduct a long-term cost-benefit analysis before performing betterments to assets, and incorporate this information into the decision-making processes on asset disposal.

For further information refer to the following:

Legislation

- ▶ *Financial Administration Act* (1985)
- ▶ *Defence Production Act* (1985)
- ▶ *Canadian Environmental Protection Act* (1999)
- ▶ *Hazardous Products Act* (1985)
- ▶ *Transportation of Dangerous Goods Act* (1992)
- ▶ *Pest Control Products Act* (2002)
- ▶ *Fisheries Act* (1985)

- ▶ *Public Service Employment Act* (2005)
- ▶ *Public Property Loans Regulations* (1992)
- ▶ *Canada Labour Code* (1985)

Treasury Board policy instruments

- ▶ *Government Security Policy* (2002)
- ▶ *Policy on Active Monitoring* (2001)
- ▶ *Controlled Goods Directive* (2006)
- ▶ *Security and Contracting Management Standard* (1996)
- ▶ *Standard Fire Alarm Systems* (1992)
- ▶ *Financial Information Strategy Accounting Manual* (2001)

Other government policy instruments

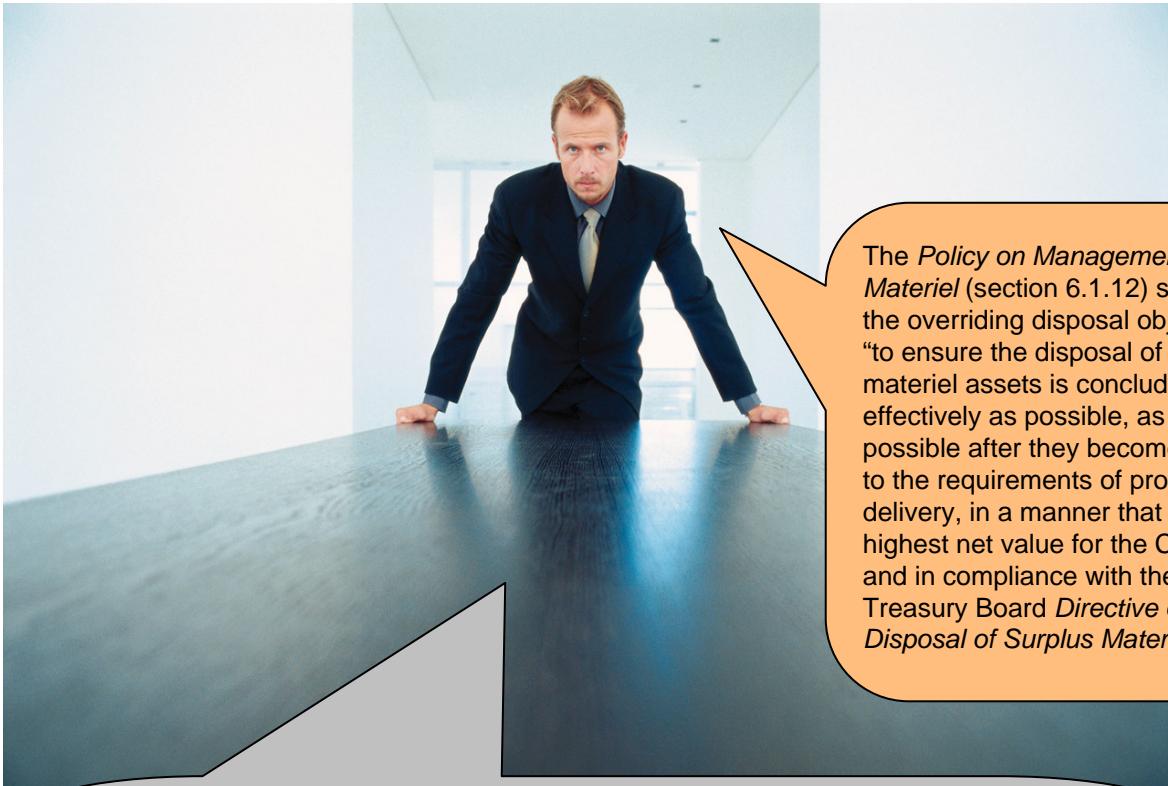
- ▶ *Policy on Green Procurement* (2006)

3.3.3 Summary of requirements

The following is a partial list of issues that must be considered in a review of the operation and maintenance of government assets:

- Departments must identify and categorize assets, especially critical services, based on the degree of injury (low, medium, or high) that could reasonably be expected to result from compromise to the assets' availability or integrity. Departments must consider the value (e.g. monetary or heritage value) of assets in determining the injury that may result.
- Departments must repair or replace damaged assets and operating systems to return operations to normal as soon as possible.
- Departments must report, to the appropriate law enforcement agencies, losses over \$1,000 that are due to suspected illegal activity.
- Departments must identify the potential perils and types of risk to which their assets are exposed.
- Departments must consult employees with disabilities, including employees with learning disabilities, with respect to any design, changes, or upgrades to physical structures, new or existing systems, or equipment to ensure that the workplace is accessible.
- Departments must provide training to employees with disabilities on the use of any new or upgraded equipment or systems.
- Departments must allow employees with disabilities to retain technical aids, equipment, and support materials should they move to another position within the federal public service.
- Departments must ensure that their controlled goods are not knowingly transferred to or examined by any person who is not excluded, registered, or exempt from registration. With regard to a controlled good, transfer means to dispose of it or disclose its content in any manner.

3.4 Disposal of government assets



The *Policy on Management of Materiel* (section 6.1.12) states that the overriding disposal objective is “to ensure the disposal of surplus materiel assets is concluded as effectively as possible, as soon as possible after they become surplus to the requirements of program delivery, in a manner that obtains highest net value for the Crown, and in compliance with the Treasury Board *Directive on Disposal of Surplus Materiel*.”

The *Policy on Management of Materiel* (section 6.1.3) requires deputy heads of departments to ensure the following:

- disposal strategies are developed based on the findings of ongoing and systematic performance assessment and on an economic and program analysis that considers the full life-cycle costs and benefits of alternative solutions to meeting program needs for materiel assets.

3.4.1 Disposal of government assets

Disposal is the process as follows:

- ▶ by which an asset has been declared surplus—most assets are disposed of through Crown Assets Distribution (CAD) of Public Works and Government Services Canada (PWGSC) or one of CAD's authorized service providers; and
- ▶ that formally removes assets from the department's asset management database when approved transfers to other departments have occurred or when the assets become obsolete. Assets become obsolete under one or more of the following conditions: the spare parts or services are no longer available; the assets cannot be repaired; it is no longer cost-effective or economically feasible to continue with the maintenance and support of the assets; or the assets are no longer required because of changes in operational requirements.

Objective:

- ▶ To ensure that the disposal of surplus materiel assets is concluded as effectively as possible, as soon as possible after the assets become surplus to the requirements of program delivery, in a manner that obtains highest net value for the Crown, and in compliance with the Treasury Board *Directive on Disposal of Surplus Materiel*.

Good practices:

- 1) Refer to the requirements in the Treasury Board *Directive on Disposal of Surplus Materiel* when disposing of government assets. This Directive sets out specific requirements that departments must meet during the disposal phase of the life cycle of their materiel assets.
- 2) Develop disposal strategies and processes that assess and capture disposal costs, proceeds, and other pertinent historical data that can be made available to programs and operations across the department. Where applicable, departments should involve the Crown Assets Distribution Directorate (CADD) or one of its private sector service providers as early as possible in the planning process. Departments should consider using a recycling program provided such a program does not circumvent the requirements of the Directive on Disposal of Surplus Materiel.

Considerations:

- ▶ Consider the life-cycle concepts and cost-benefit analysis. Departments should determine on a case-by-case basis whether a cost-minimizing disposal option is appropriate based on the residual value of the goods.
- ▶ Consider the disposal-for-proceeds method as a first choice. Disposal for proceeds includes methods such as sale through CADD or by a CADD private sector provider.

- 3) For valuable assets, use a cost-minimizing disposal method (e.g. donation) in exceptional circumstances.

- 4) Recommend that, at a minimum, the chief financial officer (CFO) or an equivalent approve the decision to use a cost-minimizing disposal option.
- 5) Plan and support the decision to dispose of government assets by an informed analysis (that includes reallocation options) of performance indicators, which should present or anticipate future program requirements.
- 6) Ensure that materiel assets are managed and disposed of in an environmentally responsible manner consistent with the principles of sustainable development.

Considerations:

- ▶ Consider the environmental impact when assessing disposal options.

Computers for Schools Program

Objectives:

- ▶ To ensure that computer equipment and software programs that are no longer useful in federal departments gain a new and valuable lease on life in Canadian schools
- ▶ To help schools take full advantage of the information age by directing surplus computers and related hardware and software programs destined for assets disposal to classrooms across Canada

Good practices:

- 1) Perform the first purge of information from the hard-drive and data storage devices. Departments are responsible for ensuring that security concerns are addressed. Departments can ensure that all hard drives are cleansed using Royal Canadian Mounted Police (RCMP)–approved software. Details of RCMP information technology security procedures can be found in the *Hard Drive Secure Information Removal and Destruction Guidelines*, and Communications Security Establishment information can be found in *Clearing and Declassifying Electronic Data Storage Devices*.
- 2) Do not strip the equipment of vital operating components if it is being offered to the Computers for Schools (CFS) Program.

- 3) Ensure that, when surplus computer equipment cannot be relocated within the department, all such equipment, including equipment with adaptive technology (AT), is offered to the CFS Program. Surplus computer equipment includes personal computers (Windows and Macintosh) and associated monitors, keyboards, mice, printers, modems, servers, hubs, network cards, disc operating systems, and other equipment.

Exceptions to the CFS Program

Departments shall dispose of all personal computers and related equipment rejected by the CFS Program through other authorized disposal options.

Transfers

Whenever practicable, departments must make surplus materiel assets available, whether gratuitously, at book value, or at fair market value, to other federal departments and agencies before disposing of them outside the federal domain (section 4.3, *Directive on Disposal of Surplus Materiel*).

Objective:

- ▶ To ensure cost-effectiveness for the government as a whole

Good practices:

- 1) Determine whether it is appropriate to transfer an asset. It is appropriate to transfer an asset under one or both of the following conditions:
 - a) The use of the asset supports government programs, and the exchange is cost-effective for the government as a whole.
 - b) The asset consists of adaptive furniture and equipment, and (in accordance with the *Policy on the Duty to Accommodate Persons with Disabilities in the Federal Public Service*) the specific employee requiring this adaptive furniture or equipment is moving to another federal department.
- 2) Determine who is responsible for the asset. Departments are responsible for their surplus assets, including operating costs, until such time as the transfer of title to another owner is effected.

- 3) Determine what compensation is expected:
 - a) The asset can be made available:
 - i. gratuitously;
 - ii. at book value; or
 - iii. at fair market value.
 - b) Departments should accurately assess the asset's market value before making the transfer.
 - c) The transfer should appear as follows:
 - i. a new acquisition to the receiving department;
 - ii. a disposal to the transferring department; and
 - iii. being in ongoing use—the plans for the asset that were submitted and the performance of the asset that was reported while with one custodian will remain essentially unchanged when the receiving federal custodian takes over.

Note: Arrangements for a transfer of an asset to another department are made directly between the departments involved and normally do not require a Treasury Board submission or the involvement of the CADD.

Donation of surplus assets

Objective

- To ensure best value for the Crown

Good practices:

- 1) Make the decision to donate surplus materiel on a case-by-case basis.

Note: Materiel may be donated when the cost of selling an item exceeds the probable proceeds or when the Crown can gain a significant non-monetary benefit. Ministerial authority is required when donating an item for which the proceeds of sale would exceed the disposal cost—the agreement of the minister (not a delegated official) in writing is required to make such a donation.

- 2) Make donations to any of the following:
 - a) a Crown corporation, federal agency, provincial government, First Nation, or municipal government in Canada;
 - b) a recognized charity or non-profit organization located in Canada; or
 - c) for locations outside of Canada, to other national governments, treaty organizations of which Canada is a member, or the United Nations.

Note: Donations to individuals or to private sector organizations require the approval of the Treasury Board and Governor in Council (i.e. they require a Treasury Board submission or Order in Council explaining the reasons for such a donation).

3) Surplus low-value assets:

- a) Contact functional and technical authorities and the CADD to determine the residual value of surplus movable assets.
- b) Donate surplus low-value assets where they will receive the greatest use or do the greatest good (to the extent possible).
- c) Donate surplus low-value assets when a sufficient quantity has been collected.
- d) Ensure that donations reflect fairness and can withstand public scrutiny.

Note: The recipient organization(s) should be responsible for all cost(s) associated with the donation, such as pickup and delivery and shipping and handling costs.

Donations are to be made on an as-is-and-where-is basis, and the recipient must sign an agreement that the Crown is forever held blameless of any accident, injury, or other untoward event once the item is received. Departments should seek legal guidance in creating this agreement.

Consideration:

- When donating low-value surplus movable assets to recipients outside the federal domain, departments shall make sure that recipients are selected in a way the public would perceive as fair, equitable, and transparent.

Recycling or destruction

Objective:

- To ensure best value for the Crown

Good practice:

- 1) Ensure that assets are recycled or destroyed in an environmentally sustainable manner.

Disposal for proceeds

Objective:

- To ensure best value for the Crown

Good practices:

- 1) Ensure that assets in this category are disposed of using processes established by the CADD. CADD provides federal departments with disposal services and is the appropriate disposal agent to arrange the sale.

- 2) Ensure that CADD transfers the net proceeds of the sale to the department by interdepartmental settlement and that CADD private sector service providers remit net sale proceeds in accordance with the terms and conditions of their contract or standing offer.

Trade-ins

Objective:

- ▶ To ensure best value for the Crown

Good practices:

- 1) Where applicable, ensure that a procurement contract or standing offer agreement (SOA) clearly stipulates the terms and conditions of any trade-in.
- 2) Ensure that appropriate records of trade-in activity are kept for accounting and audit purposes, and ensure that the value of the trade-in is accounted for as the proceeds of disposal.

Note: Trade-ins are not authorized for computer equipment or vehicles.

Writeoffs

A writeoff is the process by which an asset is removed from the departmental inventory. For further details see Section 4.

Writtenowns

A writedown is the process of reducing the book value of an asset because it is overvalued compared to the fair market value. For further details see Section 4.

Disposal of e-waste

To be completed in a later version of the Guide.

Disposal of controlled goods

Objective:

- ▶ To ensure that materiel assets designated as controlled goods, as defined in Part 2 of the *Defence Production Act*, are given the level of protection necessary to prevent their unauthorized examination, possession, or transfer and are managed in compliance with the Treasury Board *Controlled Goods Directive*

Good practice:

- 1) Refer to the Treasury Board *Controlled Goods Directive* and Foreign Affairs and International Trade Canada's Export and Import Controls lists.
- 2) Consult the Controlled Goods Directorate at PWGSC.

Disposal of hazardous waste

Control of hazardous waste and hazardous recyclable material within Canada is a shared responsibility. The federal government regulates international and interprovincial/territorial movements, while provincial and territorial governments regulate intraprovincial/territorial movements of hazardous waste and hazardous recyclable material. The provinces and territories are also responsible for establishing controls for licensing hazardous waste generators, carriers, and treatment facilities within their jurisdictions.

Objective:

- ▶ To ensure the safe disposal of hazardous waste products

Good practices:

- 1) Consult Environment Canada's Waste Reduction and Management Division for information on hazardous waste products.
- 2) Be aware that, unless the local municipal or city department responsible for waste management has established additional guidelines, policies, and so on, it may be necessary for departments to ascertain the requirements for chemical disposal pursuant to the laws established by the relevant provincial government. Provincial and territorial environment ministry websites may be found on Environment Canada's "Related Environmental Agencies" website.
- 3) Be aware that Transport Canada's Transport Dangerous Goods Directorate is the focal point for the national program to promote public safety during the transportation of dangerous goods. The directorate serves as the major source of regulatory development, information,

and guidance on the transportation of dangerous goods for the public, industry, and employees of the government.

Considerations:

- ▶ Any department that is disposing of hazardous waste should become familiar with the following:
 - *Transportation of Dangerous Goods Act, 1992*;
 - Treasury Board *Occupational Health and Safety Directive*;
 - *Canada Labour Code, Part II*, and its regulations;
 - Treasury Board *Directive on Disposal of Surplus Materiel*;
 - Treasury Board *Policy on Management of Materiel*;
 - Treasury Board *Controlled Goods Directive*; and
 - *Surplus Crown Assets Act*.
- ▶ Departments should consider a hierarchy of options when choosing a disposal method for materiel that is waste at a particular site:
 - Reuse or return: If the material cannot be reused at the facility where it is waste, it may be useful at a nearby federal facility. Alternatively, the manufacturer may accept the return of unused product.
 - Recycle: Can the waste be returned to the manufacturers for recycling?
 - Reject: Waste may be properly disposed of at provincially licensed landfills or by licensed haulers at licensed waste facilities.

For further information refer to the following:

Legislation

- ▶ *Financial Administration Act* (1985)
- ▶ *Defence Production Act* (1985)
- ▶ *Canadian Environmental Protection Act, 1999* (1999)
- ▶ *Hazardous Products Act* (1985)
- ▶ *Transportation of Dangerous Goods Act, 1992* (1992)
- ▶ *Pest Control Products Act* (2002)
- ▶ *Fisheries Act* (1985)

- ▶ *Public Service Employment Act* (2005)
- ▶ *Public Property Loans Regulations* (1992)
- ▶ *Canada Labour Code* (1985)

Treasury Board policy instruments

- ▶ *Government Security Policy* (2002)
- ▶ *Policy on Active Monitoring* (2001)
- ▶ *Controlled Goods Directive* (2006)
- ▶ *Security and Contracting Management Standard* (1996)
- ▶ *Financial Information Strategy Accounting Manual* (2001)

Other government policy instruments

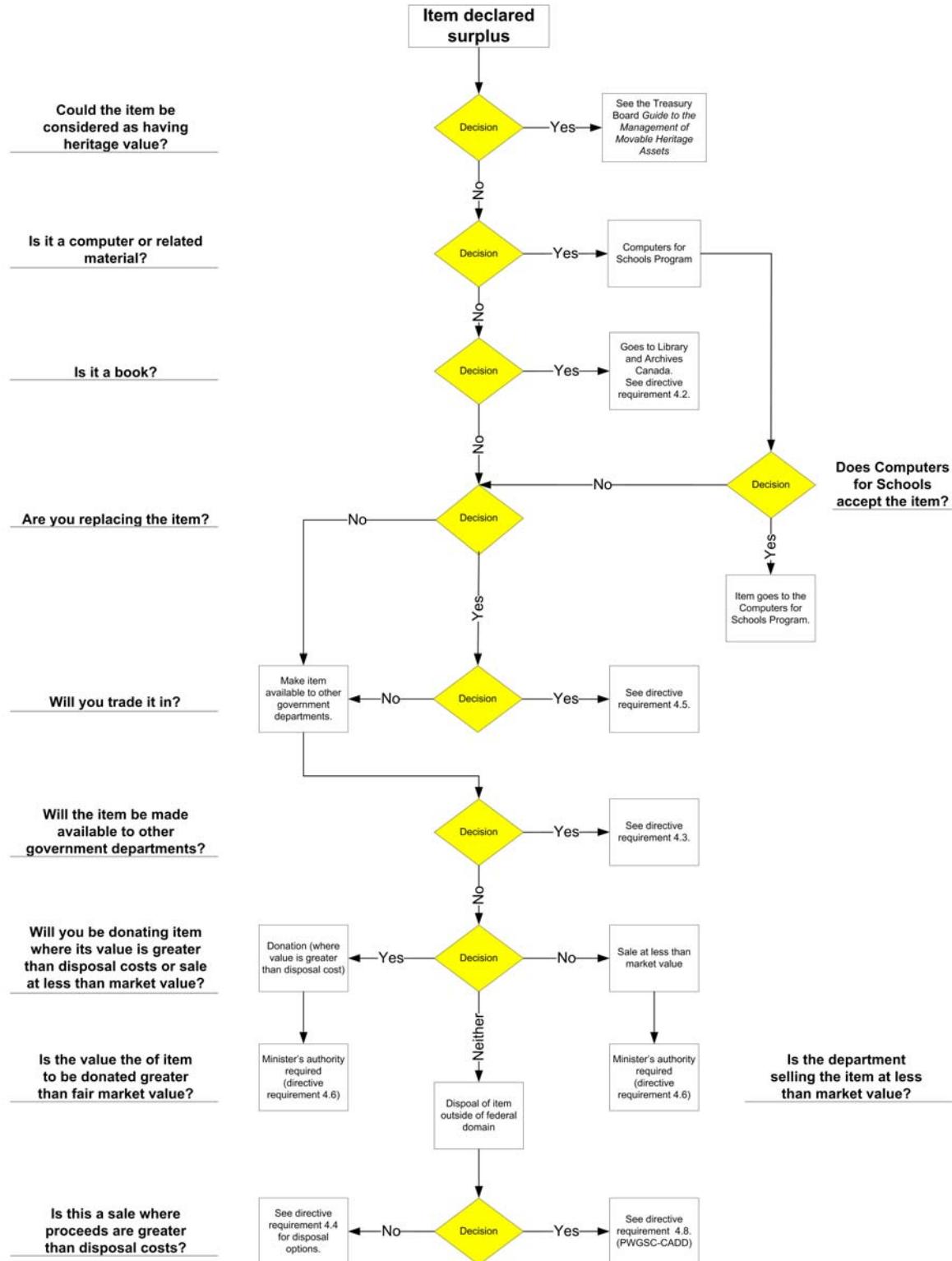
- ▶ *Policy on Green Procurement* (2006)

3.4.2 Summary of requirements

The following is a partial list of issues that must be considered in a review of disposal for materiel management.

- Departments must offer the right of first refusal of all surplus personal computers, laptops, servers, monitors, keyboards, mice, printers, modems, hubs, network cards, hard drives, and so on to the Industry Canada Computers for Schools Program.
- When selling surplus materiel assets in Canada, departments must do the following:
 - use remarketing standing offers or other contractual arrangements whenever these have been put in place by Public Works and Government Services Canada (PWGSC);
 - for direct sales conducted under departmental authorities (granted either by departmental legislation or by the Treasury Board), ensure that as broad and as transparent an opportunity as possible is made available to Canadians to purchase surplus assets; and
 - otherwise (unless a disposal site is too remote for PWGSC to effectively manage the sale) use the disposal services of the Crown Assets Distribution Directorate or one of the Crown Assets Distribution centres operated by PWGSC in Canada.
- When spending the proceeds of disposal, departments must do the following:
 - ensure that, to the maximum possible extent, proceeds are spent in the fiscal year in which they are recorded—should proceeds be recorded too late in a fiscal year to be spent in that same year, they may be carried forward to the next fiscal year, after which time any unused spending authority will lapse; and
 - ensure that proceeds are used only for disposal, operating, and capital expenditures and are not used for transfer payments.
- Departments must maintain auditable records of the costing analyses that were used to justify disposal decisions.
- Departments must have a delegation instrument in place that clearly establishes departmental authorities and accountabilities for the disposal of surplus movable materiel assets.
- When disposing of e-waste departments must address information security issues.
- When disposing of surplus military and other controlled goods, if they cannot be transferred to a person who is excluded, registered, or exempt from registration, departments must ensure that they are demilitarized and that their control status, if in doubt, is verified with the Export Control Division of Foreign Affairs and International Trade Canada before they are disposed of.

The following logic model for disposal may help departments in their consideration of the ways in which to dispose of surplus materiel:



4. Financial Reporting of Government Assets



The overriding objectives are as follows:

- ▶ to ensure accurate asset accounting; and
- ▶ to ensure that asset costs along the entire life cycle of an asset (from acquisition to disposal) are recorded appropriately in the departmental accounting systems.

The *Policy on Management of Materiel* (section 6.1.8) requires deputy heads to ensure that a materiel management information system that does the following is in place:

- ▶ is compliant with the requirements of all applicable Treasury Board policies and standards governing the management of information and information technology;
- ▶ enables the collection and generation of complete and accurate data on materiel asset holdings (capital assets, inventories, and materiel in use);
- ▶ incorporates a risk-based stocktaking schedule;
- ▶ is integrated with departmental financial information systems;
- ▶ is integrated with program objectives and the Management, Resources, and Results Structure of the department; and
- ▶ supports timely, informed materiel management decisions.

Objective:

- ▶ To ensure accurate asset accounting:
 - Accurate asset accounting is essential because capital assets represent significant investments and are key components in the delivery of departmental programs.
- ▶ To ensure that asset costs along the entire life cycle of an asset (from acquisition to disposal) are recorded appropriately in the departmental accounting systems:
 - This is important because asset costs are used in the preparation of departmental long-term capital plans, investment plans, and annual financial statements.

Good practices:

- 1) Ensure managers consider the many changes that can affect asset accounting. For example:
 - Damaged assets or a change in program use may necessitate the writeoff of an asset sooner than predicted. Assets may be subject to writedown (due to damage) or writeoff or be declared surplus after writedown due to a program's ending.

Note: A change in technological developments can easily revise the life expectancy of an asset or make it obsolete more quickly than planned.

4.1 Asset records

Objective:

- ▶ To ensure the department has accurate information about the extent and value of its assets and timely information for presentation in the *Public Accounts of Canada* and the departmental financial statements

Good practice:

- 1) Maintain auditable documentation to support all asset and inventory transactions. Asset records can contain capitalized and non-capitalized assets. For example, including stock, spare parts, and fully depreciated items ensures that the asset records are complete and that costs associated with the replacement or rehabilitation of those assets are not forgotten.
- 2) Ensure all costs required to make a capital asset operational have been recorded in the value of the asset. These include costs such as installation, accessories, and freight. Details are available in the *Treasury Board Accounting Standard 3.1—Capital Assets*.

4.2 Accounting systems for capturing assets

Departments use a variety of systems to account for assets (e.g. SAP, Oracle, and spreadsheets). These systems are also closely linked to other departmental financial systems that manage accounts payable, procurement, and financial reporting.

Objective:

- ▶ To work toward the goal of integrating the department's financial and materiel management systems

Good practice:

- 1) Integrate the departmental accounting system with other departmental financial systems; for example, systems for accounts payable, procurement, and financial reporting.

4.3 Linkages to year-end reporting and financial statements

Objective:

- ▶ To ensure that departmental asset records contain the necessary and correct information for annual reporting in the *Public Accounts of Canada*

Good practice:

- 1) Ensure that the asset management functions and financial accounting functions are aligned in order to validate reporting.
- 2) Ensure that detailed information on capital assets is maintained to support Treasury Board Accounting Standards.
- 3) Ensure that sufficient and reliable accounting information is maintained for the financial statements and annual audits (i.e. by the Office of the Auditor General of Canada).

4.4 Classification of assets

Objective:

- ▶ To ensure consistency in the classification of assets

Good practice:

- 1) Ensure consistency in the classification of assets.
- 2) Conduct periodic reviews of the department's asset classification systems to ensure the systems are meeting the department's information needs.

For further information refer to the *Treasury Board Accounting Standard 3.1—Capital Assets*.

4.5 Whole asset versus component approach

For the purposes of capitalization and amortization, capital assets can be defined using the whole asset or component approach. The whole asset approach considers an asset an assembly of connected parts, with all those parts recorded as one asset. The component approach sees each of the parts as an asset to be capitalized individually.

Objective:

- ▶ To ensure that departments choose the approach that best supports their accounting and investment planning needs

Good practice:

- 1) Review the criteria contained in paragraph 18, “Bundling of Assets,” in *Treasury Board Accounting Standard 3.1—Capital Assets*.

4.6 Accounting for software

Specific guidelines have been developed to assist in determining when software expenses should be capitalized or expensed.

Objective:

- ▶ To ensure consistency in determining when software expenses should be capitalized or expensed

Good practice:

- 1) Adhere to the criteria found in *Treasury Board Accounting Standard 3.1.1—Software*.

4.7 Valuation of capital assets

Objective:

- ▶ To ensure consistency in the valuation of capital assets

Good practice:

- 1) Adhere to the criteria found in *Treasury Board Accounting Standard 3.1—Capital Assets*.

4.8 Writeoffs

Writeoff is the process by which an asset is removed from the departmental inventory. An asset may be written off only if it is lost, stolen, or damaged beyond economic repair. No asset may be written off without the proper authority, but once written off the asset is deleted from the departmental inventory and the accounting considerations are fully addressed.

Note: Writeoffs may only be authorized as a result of destruction, fire, theft, loss, or other similar reasons. It should be noted that a writeoffs authorizes the amendment of records to adjust for any one of the aforementioned events. The authority to write off an asset is normally shown in a department's delegation of financial signing authority.

Objective:

- ▶ To ensure best value for the Crown

Good practice:

- 1) Do not confuse the disposal of assets with the writeoffs process.
- 2) Produce a writeoffs report in the event of assets' being lost, stolen, damaged, or misplaced. The writeoffs should be approved by a delegated authority and include the following information:
 - a) the date of the loss;
 - b) the circumstances of the loss;
 - c) a description, including model and serial numbers;
 - d) the bar code or asset number; and
 - e) an explanation of the events that led to the writeoff.
- 3) Ensure that the details are reported directly to the departmental security officer, who may then conduct an investigation where appropriate.
- 4) Ensure that managers recommend writeoffs or disposal to the appropriate departmental authority level.
- 5) Ensure that managers do not have the authority to write off or dispose of materiel for which they are directly responsible.

4.9 Writedowns

A writedown is the process of reducing the book value of an asset because it is overvalued compared to the fair market value.

Objective:

- ▶ To ensure assets are recorded at their fair market value

Good practice:

- 1) Write down the cost of a tangible capital asset when it can be demonstrated that the reduction in future economic benefits is expected to be permanent. Conditions that may indicate that the future economic benefits associated with a tangible capital asset have been reduced and that a writedown is appropriate include the following:
 - a) a change in the extent to which the asset is used;
 - b) a change in the manner in which the asset is used;
 - c) significant technological developments;
 - d) physical damage;
 - e) the removal of the asset from service;
 - f) a decline in or cessation of the need for the services provided by the asset;
 - g) a decision to halt construction of the asset before it is complete or in usable or saleable condition; and
 - h) a change in the law or environment affecting the extent to which the asset can be used.

4.10 Capturing transfers, donations, and loans of assets

Objective:

- To ensure that transfers, donations, and loans of assets are captured in the asset database and supported by agreements, transfer documents, and so on

Good practice:

- 1) Develop templates for agreements to track transfers, loans, and donations. This will ensure that appropriate controls are in place should there be damages, losses, and so on and that the transfers, donations, and loans are approved by the appropriate management levels.

4.11 Monitoring and asset verification to capture missed assets

Objective:

- To ensure that the asset information in the asset database is correct

Good practices:

- 1) Ensure that there is a process for the following:
 - a) the monitoring of general ledger accounts for assets;
 - b) the review of acquisition card purchases; and

- c) physical verifications of asset holdings.
- 2) Ensure that missed assets are recorded in the financial accounting systems and that assets that have been disposed of are appropriately removed from the database.

4.12 Theft, loss, and damage

The *Government Security Policy* stresses that assets must be safeguarded according to baseline security requirements and continuous security risk management.

Objective:

- To ensure that, in the event that an asset is stolen, lost, or damaged, the financial accounting system is updated accordingly

Good practice:

- 1) Ensure that a process is in place to advise asset management staff in the event that assets are stolen, lost, or damaged.

4.13 Gains and losses on capital assets

A gain or a loss on a capital asset occurs when the asset's net book value differs from the sale proceeds or the trade-in value.

Objective:

- To ensure that information on gains or losses of capital assets is captured

Good practice:

- 1) Recognize gains or losses when capital assets are sold, traded in, or disposed of.

4.14 Accounting for inventories

There is a difference between capital assets and inventories. Inventories of materiel and equipment are to be accounted for and controlled in accordance with the *Policy on Accounting for Inventories and Treasury Board Accounting Standard 3.4—Inventories*.

Objective:

- To ensure information on inventory items is captured accurately

Good practices:

- 1) Establish accounting controls for inventories.
- 2) Establish processes for performing physical counts to verify the inventory records.

For further information please seek advice from your department's financial officer and refer to the following:

Legislation

- ▶ *Financial Administration Act*
- ▶ *Surplus Crown Assets Act*
- ▶ *Public Property Loans Regulations*

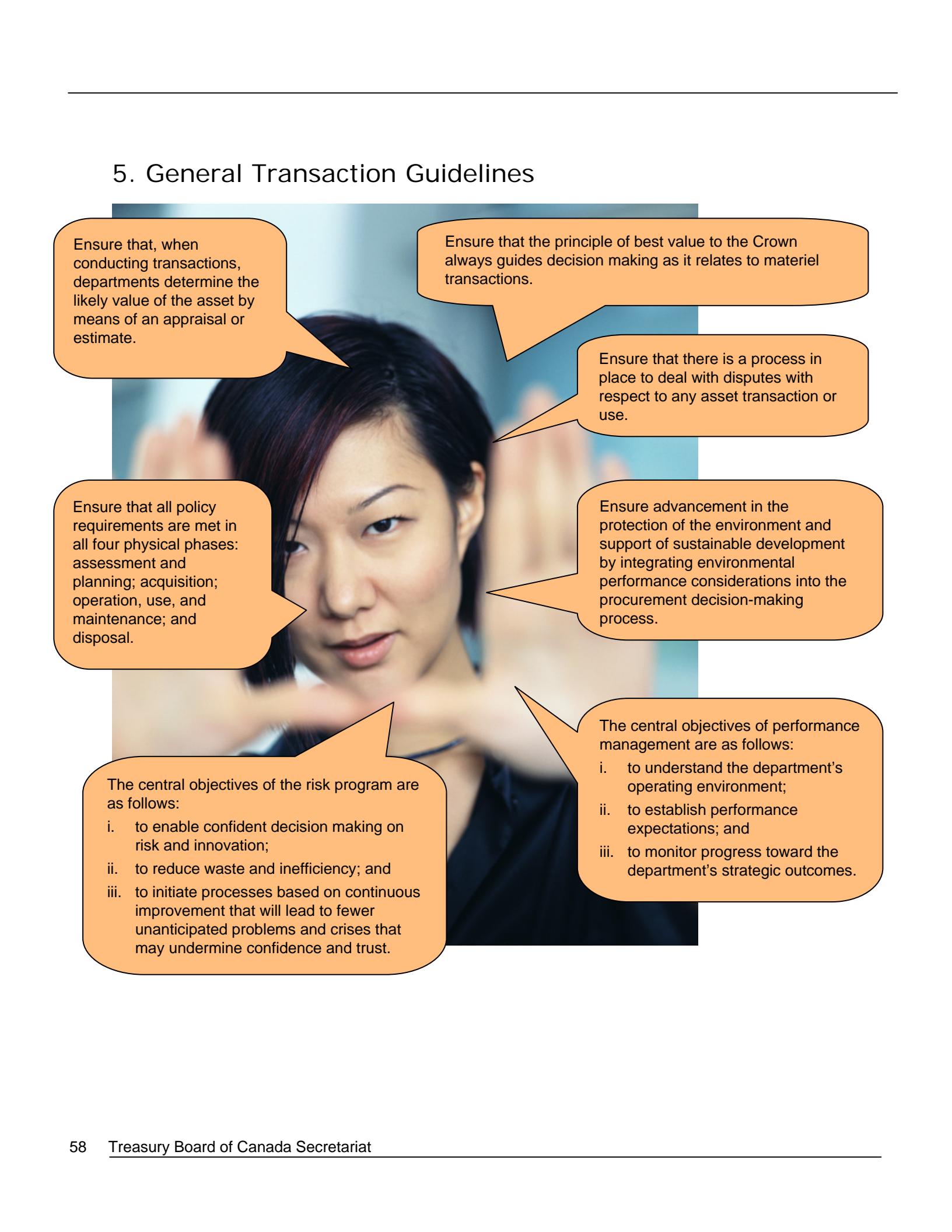
Government

- ▶ Treasury Board Assets and Acquired Services Policy Suite
- ▶ Treasury Board Accounting Standards—Policies and Publications
- ▶ *Treasury Board Financial Information Strategy Accounting Manual*

External to government

- ▶ Canadian Institute of Chartered Accountants (CICA) *Public Sector Accounting Handbook* (available by subscription)
- ▶ Public Sector Accounting Board (PSAB) *Guide to Accounting For and Reporting Tangible Capital Assets*

5. General Transaction Guidelines



Ensure that, when conducting transactions, departments determine the likely value of the asset by means of an appraisal or estimate.

Ensure that the principle of best value to the Crown always guides decision making as it relates to materiel transactions.

Ensure that there is a process in place to deal with disputes with respect to any asset transaction or use.

Ensure that all policy requirements are met in all four physical phases: assessment and planning; acquisition; operation, use, and maintenance; and disposal.

Ensure advancement in the protection of the environment and support of sustainable development by integrating environmental performance considerations into the procurement decision-making process.

The central objectives of the risk program are as follows:

- i. to enable confident decision making on risk and innovation;
- ii. to reduce waste and inefficiency; and
- iii. to initiate processes based on continuous improvement that will lead to fewer unanticipated problems and crises that may undermine confidence and trust.

The central objectives of performance management are as follows:

- i. to understand the department's operating environment;
- ii. to establish performance expectations; and
- iii. to monitor progress toward the department's strategic outcomes.

General transaction guidelines are applicable in all four phases of life-cycle materiel management: assessment and planning; acquisition; operation, use, and maintenance; and disposal.

5.1 Solicitation of offers

Objective:

- To ensure that the principle of best value to the Crown always guides decision making as it relates to materiel transactions

Good practices:

- 1) Ensure that all materiel transactions are conducted in an open and fair manner. These transactions should recognize the need for the public to be given a reasonable opportunity to access the government and information about the disposal of assets by the government.
- 2) Once a requirement has been identified, ensure that the process of soliciting offers begins promptly, leaving time to consider all viable options. The principle of best value to the Crown should determine which offer is selected, and the factors and criteria that determine the best value should be identified before the solicitation of offers. These criteria must remain constant during the solicitation and selection process.
- 3) When soliciting offers, ensure that a reasonable and representative number of persons or firms are given an opportunity to make offers. Departments can meet that policy requirement by using one of the methods listed below:
 - public advertising, including an open bidding system;
 - public notice that is consistent with generally accepted trade practices;
 - selection from an open source list (i.e. a document that lists representative suppliers of the asset required);
 - for acquisitions by purchase order, selection from a representative list of available suppliers accompanied by an options analysis that demonstrates a fair comparison of the suppliers on the list; or
 - use of a system that, in the minister's opinion, given the subject and nature of the acquisition or disposition, does the following:
 - i. provides a reasonable likelihood that potentially interested persons or firms will become aware of the proposed acquisition or disposition; and
 - ii. promotes a fair and equitable consideration of offers.

5.2 Valuation

Assets have value: **Valuation** is the process of estimating the fair market value of an asset. Valuations are required in many contexts, including investment analysis, capital budgeting, acquisition, financial reporting, and litigation.

Objective:

- ▶ To ensure that, when conducting transactions, departments determine the likely value of the asset by means of an appraisal or estimate

Good practices:

- 1) Ensure that the process used for valuation results in a reliable, defensible approximation of value with appropriate quality assurance and quality control. The processes and procedures should reflect the level of due diligence appropriate to the potential value and risk involved.
- 2) Before completing a transaction for which an open market does not exist, ensure that the due diligence necessary for the valuation to support the transaction is defensible and, as such, has well-supported data and analysis demonstrating the market value as the performance measurement. The documentation on file must be able to stand the test of public scrutiny.

Consideration:

- ▶ Any valuation that has critical or extraordinary assumptions may not be reliable because the value depends on the validity of the assumptions. As such, the valuation analysis may result in a misleading value estimate if the assumptions are not true. The use of extraordinary assumptions is a useful tool for valuation because it allows more options to be considered, typically for budget and planning purposes. If an extraordinary assumption or critical assumption is used as the basis of an estimate of value in support of a transaction, the transaction should not be completed unless the limiting condition or assumption has been satisfied or realized.

For further information refer to the Treasury Board *Policy on Allowances for Valuation of Assets and Liabilities*.

5.3 Policy conformity

Objective:

- ▶ To ensure that all policy requirements are met in all three physical phases of life-cycle materiel management: acquisition; operation, use, and maintenance; and disposal

For further information departments should refer to the *Policy on Management of Materiel* and its associated directives:

- *Controlled Goods Directive*;
- *Directive on Fleet Management: Executive Vehicles*;
- *Directive on Fleet Management: Light Duty Vehicles*; and
- *Directive on Disposal of Surplus Materiel*.

Note: If any policy exceptions are necessary, Treasury Board approval is required. The Treasury Board of Canada Secretariat or Public Works and Government Services Canada can flag the need for Treasury Board approval of a transaction strategy notwithstanding the financial authorities of the minister.

5.4 Legal issues

Objective:

- ▶ To ensure that there is a process in place to deal with disputes with respect to any asset transaction or use

Good practice:

- 1) Consult the department's legal services unit or Department of Justice Canada regional offices, and make all reasonable efforts to resolve any asset dispute in the best interests of the Crown through discussion, good faith negotiations, mediation, or conciliation.

For further detailed information please refer to the May 2002 paper, "Legal Obligations of Public Purchasers," by Robert C. Worthington.

5.5 Green procurement

Objective:

- ▶ To advance the protection of the environment and support sustainable development by integrating environmental performance considerations into the procurement decision-making process

Good practices:

- 1) Contribute to environmental objectives such as the following:

- reducing greenhouse gas emissions and air contaminants;
- improving energy and water efficiency;
- reducing ozone depleting substances;
- reducing waste and supporting reuse and recycling;
- reducing hazardous waste; and
- reducing toxic and hazardous chemicals and substances.

- 2) Leverage the purchasing power of the federal government to achieve economies of scale in the acquisition of environmentally preferable goods and services, thereby reducing the cost for government and strengthening greener markets and industries.
- 3) Encourage more environmentally responsible planning, acquisition, use, and disposal practices in the federal government.
- 4) Support a healthier working environment for employees and for citizens in general through the purchase of environmentally preferable goods and services.

For further information refer to the Green Procurement website at Public Works and Government Services Canada.

5.6 Risk management

Risk management is a powerful tool that, if utilized, can assist decision makers in every step of life-cycle materiel management. For this reason, risk identification should be undertaken in the planning stages, encompass the total expected lifetime of the asset, and ideally be integrated with an existing organization-wide management process. Such an approach provides for more accurate lifetime costing and increases a department's ability to address and mitigate risk and its consequences.

Objectives:

- ▶ To enable confident decision making on risk and innovation
- ▶ To reduce waste and inefficiency
- ▶ To initiate processes based on continuous improvement that will lead to fewer unanticipated problems and crises that may undermine confidence and trust

Good practice:

- 1) Develop processes to do the following:

- a) set the objective for risk management—the objective should be to identify strategic risk to the department and evaluate the effectiveness of related controls to ensure that risk is managed effectively and efficiently;
- b) identify the risk issues;
- c) evaluate the degree of risk with regard to the department’s strategic outcomes and outputs in consideration of the following:
 - the effect of the risk (i.e. high, medium, or low); and
 - the likelihood of the risk (i.e. high, medium, or low);
- d) determine the ways and means to reduce the risk;
- e) define the residual risk;
- f) develop contingency plans to deal with the residual risk; and
- g) implement risk management strategies.

For more information please refer to the Treasury Board *Integrated Risk Management Implementation Guide*.

5.7 Performance management

An effective performance management system supports decision making, accountability, and transparency. As such, performance expectations must be established throughout the planning process. Evidence that the department’s programs and services benefit Canadians is key to demonstrating not only continuous improvement in performance but also that the public is receiving value for its tax dollars.

Traditionally, measures of performance for materiel management have included such metrics as transaction count, contract costs, and document throughput time. Other measures of performance, however, could include the following:

- i. effective and efficient service delivery:
 - improvement of service delivery;
 - introduction of process improvement and value-added services;
 - reduction in overhead costs;
 - reduction in the costs of acquisition, use, and management of materiel;
 - ability to use readily available life-cycle information effectively;
 - ability to obtain best value for materiel purchased or disposed of;
 - ability to consider all costs in decision making (e.g. inventory carrying costs);

- ability to consider environmental performance in procurement decision making that occurs throughout the life cycle of assets; and
- reduction in environmental impact (e.g. greenhouse gas emissions and hazardous chemicals);

- ii. an informed, proactive, and flexible workforce:
 - encouragement of employee empowerment, training, and job enrichment;
 - ability to encourage decision making at the lowest practicable level;
 - ability to encourage innovation and a results-oriented environment; and
 - ability to use a risk management philosophy that recognizes the inherent possibility of mistakes, while providing a supportive environment for employees;

- iii. an integrated, accurate, and cost-effective information system:
 - ability to use technology appropriately;
 - ability to use open systems, integration interconnectivity, and standards and to implement electronic data interchange, electronic forms, bar coding, and so on;
 - ability to innovate through competition and business case assessment; and
 - ability to share technology rather than reinvent it.

Objectives:

- ▶ To understand the department's operating environment
- ▶ To establish performance expectations
- ▶ To monitor progress toward the department's strategic outcomes

Good practices:

- 1) Measure performance on an ongoing basis to ensure accountability and to support a culture of continuous improvement.
- 2) Utilize the Treasury Board of Canada Secretariat Management Accountability Framework (MAF) to help reinforce sound management in the public service by providing managers with a model for management improvement. For example:
 - a) Through the use of clear indicators and measures that can be used to gauge performance over time, the MAF will help managers, deputy heads, and central agencies do the following:

- i. assess progress and strengthen accountability for management results; and
- ii. identify areas requiring improvement and take steps to address any issues.

b) MAF explains and clarifies the links between management improvement initiatives by integrating existing frameworks such as *Human Resources Management Modernization*, *A Policy Framework for Service Improvement in the Government of Canada*, the *Integrated Risk Management Framework*, and *Modern Comptrollership*.

6. Inquiries

Please direct inquiries about this Guide to your department's headquarters. For interpretation of this Guide, departmental headquarters should contact:

Real Property and Materiel Policy Division

Treasury Board of Canada Secretariat

L'Esplanade Laurier

140 O'Connor Street

Ottawa ON K1A 0R5

Telephone: 613-941-7173

Fax: 613-957-2405

Email: rmpd@tbs-sct.gc.ca

7. References

Federal legislation

- ▶ *Financial Administration Act* (1985)
- ▶ *Defence Production Act* (1985)
- ▶ *Canadian Environmental Protection Act, 1999* (1999)
- ▶ *Hazardous Products Act* (1985)
- ▶ *Transportation of Dangerous Goods Act, 1992* (1992)
- ▶ *Pest Control Products Act* (2002)
- ▶ *Fisheries Act* (1985)
- ▶ *Public Service Employment Act* (2005)
- ▶ *Public Property Loans Regulations* (1992)
- ▶ *Canada Labour Code* (1985)
- ▶ *Alternative Fuels Act* (1995)
- ▶ *International Traffic in Arms Regulations (ITAR)* (2007)

Treasury Board policy instruments

Policies

- ▶ *Policy on Management of Materiel* (2006) and its associated directives:
 - *Controlled Goods Directive*
 - *Directive on Fleet Management: Executive Vehicles*
 - *Directive on Fleet Management: Light Duty Vehicles*
 - *Directive on Disposal of Surplus Materiel*
- ▶ *Policy on Investment Planning—Asset and Acquired Services* (2007, fully in effect in 2011)
- ▶ *Policy on Long-term Capital Plans* (1994). Note: This policy is still in effect until the *Policy on Investment Planning—Assets and Acquired Services* is implemented throughout the government.
- ▶ *Contracting Policy* (2006)
- ▶ *Procurement Review Policy* (1994)

- ▶ *Policy on Allowances for Valuation of Assets and Liabilities* (1994)
- ▶ *Government Security Policy* (2002)
- ▶ *Policy on Active Monitoring* (2001)

Standards

- ▶ *Security and Contracting Management Standard*
- ▶ *Financial Information Strategy Accounting Manual*
- ▶ *Treasury Board Accounting Standard 3.1—Capital Assets*

Guides

- ▶ *Integrated Risk Management Implementation Guide* (2004)
- ▶ *Guide to Costing* (2008)

Other government policy instruments

- ▶ *Policy on Green Procurement* (2006)

8. Glossary

acquisition—a transaction that adds materiel to a department’s inventory, including by means of a purchase, donation, sponsorship, or lease.

acquisition card—a government- and departmentally approved credit card issued by a designated credit card provider for the procurement and payment of low-risk goods and services. Acquisition cards may be used either as procurement instruments, payment tools resulting from a procurement instrument’s being issued (e.g. services contract), or both.

acquisition costs—costs, in addition to the purchase price, that include those costs directly attributable to the purchase, such as construction, legal fees, delivery, setup, and freight charges. Other costs, such as planning and feasibility costs, are expensed. The goods and services tax (GST) and the harmonized sales tax (HST) are not capitalized. Departments must remain consistent in determining asset costs versus expense items.

adaptive technology—assistive devices, technical aids, telephony equipment, and hardware and software tools that make the work environment more accessible to persons with functional limitations. Persons with functional limitations include persons with disabilities as well as those recovering from illness or injury incurred on or off the job.

amortization—the accounting term to describe the writing-off of an asset expenditure over time based on the useful life of the asset.

Annual Reference Level Updates—an annual process where three-year forecasts are revised and agreed upon by departments and the Treasury Board of Canada Secretariat.

A reference level is the current dollar balance of funding available to an organization (typically a department or agency) for each fiscal year as approved by Treasury Board, statutory estimates related to statutes of Canada, or both. It is the aggregate of all approved funding levels for the organization and may include some or all of the following: program, operating, capital, and non-budgetary expenditures; grants and contributions; and revenue credited to the vote.

asset [capital]—a tangible asset that is as follows:

- a) purchased, constructed, developed, or otherwise acquired;
- b) held for use in the production or supply of goods, in the delivery of services, or to produce program outputs;

- c) expected to have a useful life extending beyond one fiscal year and is intended to be used on a continuing basis; and
- d) not intended for resale in the ordinary course of operations.

For the government, capital assets have the following characteristics:

- a) beneficial ownership and control clearly rest with the government;
- b) they are used to achieve government objectives; and
- c) the risks and benefits of their ownership clearly rest with the government (as in the case of capital leases).

For government accounting purposes, capital assets generally include all assets having an initial cost of \$10,000 or more and treated as capital assets under Public Sector Accounting Board recommendations and generally accepted accounting principles in Canada. Departments may choose a lower threshold value.

Note: Assets costing \$10,000 or more are capitalized, i.e. they are amortized over the useful life of the asset. Items meeting the characteristics of a capital asset and costing less than \$10,000 are still considered capital assets but are not usually amortized.

asset under construction/WIP (work in progress)—any good that is not considered a final product but must still be accounted for because funds have been invested in its production; e.g. buildings, in-house software development, project stages, and costs to be captured.

betterment—any modification, conversion, upgrade, addition, or other alteration that enhances or otherwise increases the functionality, efficiency, or capacity of an original asset or one of its component parts. A betterment can also be an expenditure relating to the alteration or modernization of an asset that appreciably prolongs the item's period of usefulness or improves its functionality.

book value—the historical cost of an asset.

Computers for Schools Program—a national, federal, government-led program that operates in cooperation with all provinces and territories, as well as with the private and volunteer sectors. The program collects, repairs, and refurbishes donated surplus computers from government and private sector sources and distributes them to public schools, libraries, and not-for-profit learning organizations throughout Canada.

controlled goods—those goods specified in the “Schedule: Controlled Goods List” of the *Defence Production Act*.

cost-minimizing disposal—a disposal method for low-value surplus assets used where the anticipated costs of selling the assets is more than the expected proceeds of sales.

Crown Assets Distribution Directorate—the Public Works and Government Services Canada (PWGSC) directorate having the mandate to manage the surplus movable assets disposal program for the government and to provide quality service to clients while obtaining best value for the Crown. The legislative base for its operations is the *Surplus Crown Assets Act* along with the *Treasury Board Directive on Disposal of Surplus Materiel*. The legislation and policy require PWGSC to manage the disposal of surplus assets on behalf of federal departments and agencies, with some exceptions.

depreciation—see “amortization.”

donation—the provision by contribution, gift, or bequest by a person, group, or organization external to the Government of Canada of funds, goods, facilities, or services without cost to the Government of Canada and without expectation of any benefit in return (other than public acknowledgement, if agreed to by both parties, or a tax receipt) that may or may not support a particular Government of Canada event or activity.

donation of low-value surplus assets—a cost-minimizing disposal option.

disposal—the removal of assets from a department, whether by transfer of ownership into new hands or through recycling as scrap.

disposal for proceeds—a disposal method for surplus assets where the anticipated revenue from the sale is more than the expected costs of sale.

e-waste—“electronic waste” includes all secondary computers, entertainment devices, electronics, mobile phones, and other items that have been sold, donated, or discarded. This definition includes used electronics that are destined for reuse, resale, salvage, recycling, or disposal.

fair market value—the price that would be agreed to in an open and unrestricted market between knowledgeable and willing parties dealing at arm’s length who are fully informed and not under any compulsion to transact.

financial performance—a performance measure that addresses the cost of operating and sustaining an asset relative to established standards or targets.

gratuitously—given without recompense; not involving a return benefit, compensation, or consideration; costing nothing.

green procurement—procurement decisions that consider environmental factors in the effort to advance the protection of the environment and support sustainable development. The *Policy on Green Procurement* defines environmentally preferable goods and services as those that have a lesser or reduced impact on the environment over the life cycle of the good or service when compared with competing goods or services with the same purpose.

hazardous material—identifiable by characteristics such as corrosiveness, flammability, reactivity, or toxicity.

heritage value—a value determined by assessing the symbolic value, age, rarity, and associative or representative value of an asset. The artistic value, historical value, aesthetic value, monetary value, and so on do not in themselves constitute heritage value, though they do play a role in determining significance.

inventory—materiel held in stock at a storage facility, including materiel that is undergoing repair or is in the supply system.

investment recovery—the action of disposing of an asset in a timely manner so as to maximize the financial return on the original investment.

low-value surplus asset—a surplus movable asset having an estimated market value less than the costs that would be incurred by selling it through the disposal-for-proceeds process (these costs include direct handling, transportation, warehousing, marketing, sales fees and commissions, and staff).

Management, Resources, and Results Structure—a common, government-wide approach to the collection, management, and reporting of financial and non-financial performance information. In providing a standard basis for reporting to citizens and Parliament on the alignment of resources, program activities, and results, the *Management, Resources, and Results Structure Policy* reinforces the government's commitment to strengthening public sector management and accountability, consistent with the Treasury Board of Canada Secretariat Management Accountability Framework.

materiel—all movable assets, excluding money and records, acquired by Her Majesty in right of Canada.

materiel management—all activities necessary to acquire, hold, use, and dispose of materiel, including the notion of achieving the greatest possible efficiency throughout the life cycle of materiel assets.

life-cycle materiel management—the effective and efficient management of assets from the identification of requirements to the disposal and replacement of the assets acquired to meet the requirements. The phases of life-cycle materiel management include assessing requirements; analyzing options; planning acquisition; and acquiring, operating, using, maintaining, disposing of, and replacing materiel.

net book value—the value of asset, with accumulated amortization costs deducted from the historical cost of the asset.

preventive maintenance—a schedule of planned maintenance actions aimed at the prevention of breakdowns and failures. It is designed to preserve and enhance equipment reliability by replacing worn components before they fail. Preventive maintenance activities include equipment checks, partial or complete overhauls at specified periods of time, oil changes, lubrication, and so on.

record—any correspondence, memorandum, book, plan, map, drawing, diagram, pictorial or graphic work, photograph, film, microform, sound recording, videotape, machine readable record, or any other documentary material, regardless of physical form or characteristic, and any copy thereof.

sustainable development—development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

surplus Crown asset—property (excluding real property or immovables as defined in the *Federal Real Property and Federal Immovables Act* or licences in respect thereof) of Her Majesty that is in the custody or under the control of a department or federal body that has determined that the property is surplus to its requirements (i.e. there is no current or foreseen requirement for it).

standing offer agreement—a method of supply used by Public Works and Government Services Canada and other departments to provide direct access to supply for goods, services, and construction contracts at pre-arranged prices and under pre-arranged delivery conditions, for a specific period of time, on an as-and-when-required basis.

stocktaking—the procedure of counting and reconciling actual holdings against automated or manual records for stocking accounts. The aim of stocktaking is to resolve discrepancies and update computer and manual records regarding the balance of stock on hand and the identification, condition, and location of materiel.

theft—the taking of money or other property without the owner’s consent, with the intent to deprive the owner, temporarily or permanently, of the possession, use, or benefit of it. Although both fraud and theft may result in depriving someone of property, a key distinguishing feature is that with fraud the victim is induced through deceit or trickery to voluntarily give up the property. With theft, the owner does not surrender the property voluntarily and, in some cases, may not initially even be aware that it has been taken.

trade-in—when an asset is taken as payment or partial payment for a new purchase.

transfer—the conveyance or removal of an asset from one department to another.

use—a performance measure that addresses the type, suitability, and intensity of use of an asset relative to its capacity or potential.

useful life—how long an asset is expected to be in good operational or service order before major modifications or upgrades will have to be made to the asset.

valuable surplus asset—a surplus asset is considered valuable when it has a marketable value exceeding the projected costs of sale.

writedown—when a tangible capital asset no longer contributes to a department’s ability to provide goods and services, it is written down to its residual value, if any. Conditions that may indicate that a writedown is appropriate include the following:

- a change in the extent to which the asset is used;
- a change in the manner in which the asset is used;
- significant technological changes;
- physical damage;
- removal of the asset from service;
- a decline in or cessation of the need for the services provided by the asset;
- a decision to halt construction of the asset before it is complete or in usable or saleable condition; and
- a change in the law or environment affecting the extent to which the asset can be used.

writeoff—the formal documentation process to record the disposition of assets. It applies to all assets purchased or acquired by the Crown, regardless of whether they are tracked assets or not. Appropriate documentation regarding the disposal or loss of assets is required to adjust the inventory record and to support information provided to Public Accounts.