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REBUILDING THE PROCUREMENT CAPABILITY WITHIN THE CANADIAN ARMY

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WITHIN THE CANADIAN ARMY**

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REBUILDING THE PROCUREMENT CAPABILITY WITHIN THE CANADIAN ARMY

AIM

1. The aim of this paper is to analyze the current shortcomings of the procurement workforce in the Canadian Army (CA) and to provide recommendations for the implementation of corrective measures.

BACKGROUND

2. The CA cannot operate on any given day without the use of contracted support. While this increased reliance on contracts ensures overall cost efficiency and economy of effort, it has unavoidable knock-on effects on the procurement system. These effects tend to be overlooked given the difficulty for the procurement staff to assess and quantify them accurately, which can prevent the establishment of mitigation measures. As an example, the 2013 Treasury Board (TB) decision to increase the CAF contracting delegation from \$5K to \$75K significantly augmented file quantities and complexity, but came with no additional resources.¹ Simultaneously, cost reduction measures within the Department of National Defence (DND) such as the Work Force Reduction (WFA) program which rolled out in 2012 have reduced the civilian workforce, notably as it pertains to procurement specialists.² Having just gone through the 2013 Army Transformation, the CA had closed several Area Support Units (ASU) and underwent associated

¹ Canada, *Treasury Board Secretariat Contracting Policy* (Ottawa, ON: 2013) ;Department of National Defence, Canada, "A-FN-100-002/AG-006 Delegation of Authorities for Financial Administration for DND and CAF", no. 006 (Feb 11, 2016)73-75; Note: These amounts refer to the maximum authority for competitive services contracts (column 17 of the Delegation of Authority matrix) and the same column is used for comparison throughout the paper.

² National Joint Council, Government of Canada, *Work Force Adjustment Directive* (Ottawa, ON: 2010).

support staff reductions, removing key players in the CA's procurement community.³ Given these facts and considering the tempo endured by the CA since 9/11, a case can be made that the workload of the procurement staff has drastically increased over the past two decades, making procurement a choke point in the conduct of operations. In 2018, the CA's shortcomings in procurement have become evident and attention must be paid.

3. In this paper, three areas for improvement will be presented, bearing in mind the CA's ongoing responsibilities related to institutional support, support to exercises and support to operations. Each area will be comprised of a description of what the CA must be able to do versus what it is currently capable of, with a view of highlighting the existing deficiencies. Recommendations for improvements will be explained at the end of each sections. Firstly, the capacity to fulfill contracts requirements up to \$75K will be analyzed. Secondly, the requirement to force generate procurement personnel will be discussed. Thirdly, the framework required to support the procurement capability within the CA will be described. To conclude, recommendations on how to close the existing capability gaps will be summarized.

DISCUSSION

4. Capacity to contract up to \$75K. The current establishment of the procurement workforce within the CA differs largely from one division to another. Consequently, the comments related to the actual situation that are in this section may or may not apply to each division. Despite

³ CLS, "Force 2013 Consolidation Master Implementation Plan," (Aug 31, 2010).

these differences, the requirement for the CA to fulfill its procurement requirements up to \$75K is one that applies across the organization. This section will address this capacity, which now relies on procurement cells originally established to handle contracts up to \$5K. The following is a breakdown of the tasks that existing procurement cells must carry out, and a description of how they are, or are not, capable of performing in each area.

- a. Procurement cells must independently establish and manage the CA's required contracts up to \$75K.
 - (1) Only selected individuals can contract up to \$25K across the CA, and authorities up to \$75K are retained at the division level. Division staff have one or two specialist positions responsible to plan and advise on contracting (versus being responsible to run contracting operations). They do not have the tools to exercise their authority as they are not established with a full procurement cell. Where reliant on military positions, divisions have intermittent coverage in terms of contracting expertise and this causes situations where individuals are sometimes granted a \$75K delegation as their first contracting authority. Therefore, by attempting to mitigate the risks associated with a higher delegation by retaining it at the division level, opposite results are achieved. In summary, division level holders of the \$75K delegation are forced to rely on the procurement cells within one of the Service Battalions (Svc Bn) to perform the tasks leading to contracts signature. However, these cells are deemed unable to handle such delegation in the first place, resulting in the retention of the signature authority at the division level. There is no additional procurement expertise

in most intermediate formations, and division staff are often double-hatted as contracting experts although untrained and occupying other busy functions within the G4 cell. The likelihood of costly mistakes and negative repercussions is significant.

- (2) The situation in Primary Reserve (PRes) Svc Bn is also alarming following the assignment of institutional support responsibilities within the CA transformation of 2013. As a mitigation measure, units were given one or two Regular Force (RegF) supply technician position between the ranks of corporal to sergeant. Since 2013, the branch has proved unable to fill these positions with soldiers having pertinent experience. Given the reality of the manning situation within PRes Svc Bn, the other duties of these supply technicians prevent them from being dedicated to procurement on a full-time basis. Adding to the challenge is the remote nature of most of these units. With the absence of expertise in the PRes Brigade Headquarters (Bde HQ), the soldiers who occupy these positions assume risks and responsibility exceeding their training and experience levels.

- b. Procurement cells access national level standing offers and supply arrangements, which must be properly used and managed. These are often complex and longer terms arrangements that constantly get lost in between military personnel

handovers. Mismanagement of call-ups and delays in bill handling are known to cause irregularities and financial penalties;⁴ and

- c. Placed in 2nd line support units, procurement cells play a key role in supporting and educating 1st line unit quartermaster (QM) staff, who have responsibilities related to contracts up to \$5K. The CA's 1st line unit QM staff often does not have the technical knowledge and experience to do procurement up to \$5K (units used to have only up to \$1K for the same staff quantity and rank level). It is common practice for undermanned and/or risk adverse units to send all procurement requirement to their Svc Bn, including those within their delegation. This further aggravates the workload of the Svc Bn and prevents proper training for junior procurement staff, which is an appropriate segue to next area of capability.

5. Recommendations related to procurement up to \$75K. This capacity must be delegated down to the Svc Bn procurement cells, rather than being retained higher where no specialist cell exists. Svc Bn procurement cells must be augmented proportionally with the workload and file complexity increase associated to delegation augmentation from \$5K to \$75K.⁵ PRes Svc Bn must have proper procurement cells stood up with staff of rank/classification that reflect their

⁴ CA G4 Contracts Maj Theresa Green/JCSP 44 Student Maj Sophie Drolet, "Contracting Expertise within the Canadian Army (CA)" Feb 1, 2018.

⁵ Canada, *DAOD 5025-0, Classification of Civilian Positions*, (2008); 2e Div Can G4 LCol Jeremy Lajeunesse/JCSP 44 Student Maj Sophie Drolet, "Contracting Expertise and Manning within 2e Division Canadienne" Jan 29, 2018; A/G4 4th Cdn Div Maj Terrence Mackey/JCSP 44 Student Maj Sophie Drolet, "Contracting Expertise and Manning within 4th Canadian Division" Jan 29, 2018 ; Note: Alternatively, if the geographical and command situation allow it, technical services entities could also host procurement cells able to provide contracting capacities for requirements from \$25K and up to \$75K (as it is the case for 2nd Canadian Division). However, for divisions where the personnel providing technical services is under the command of the resident Svc Bn and consolidated in one location (such as in 3rd Canadian Division), the responsibility to contract up to the CA limit must reside in the each of the Svc Bn procurement cell, with the associated personal augmentation.

responsibilities. The fulfillment of the procurement requirements up to \$5K by 1st line units' QM personnel must be enforced. 2nd line units' procurement cell must focus on requirements of \$5K to \$75K, and mentor/train 1st line unit QM staff as required. Finally, due to the temporary nature of military postings, the establishment of a civilian based "backbone" within the workforce is the key to maintaining the continuity, expertise and competence required in this field. This recommendation is emphasized for remote PRes Svc Bn having institutional responsibilities.

6. Force generating deployable procurement personnel. Despite this being an assigned task for the CA, the service is currently unable to sustain the demand for deployed operations without impeding its institutional responsibilities and internal support. The reasons for difficulties encountered differ whether discussing the force generation of procurement officers or clerks.

- a. Procurement officers. Restricting sourcing of personnel for procurement training within the supply specialty of the logistics branch results in an extremely limited pool of candidates. Exceptions are made on occasion to fill the seats available on courses, but when candidates come from other specialties or branches (such as the Royal Canadian Electrical and Mechanical Engineers (RCEME) branch), subsequent opportunities to gain experience within procurement cells are non-existent. Within the CA, only supply personnel fill established positions related to acquisitions. When forced to provide, the CA then has two options: The first option is to deploy unexperienced personnel, who go unsupervised to exercise operational delegations of up to \$400K as part of their first assignment. By way of example, on Op ATTENTION in 2014, the deployed contract officer first

experience with a contract delegation was for \$1M. The second option available is to deploy one of its rare supply officers with experience in procurement. This systematically creates a critical gap in the procurement cell that they leave, given the absence of redundancy for this capacity across the divisions.

- b. Procurement clerks. Procurement clerks are responsible for the maintenance of files as official records, information and contracting systems entries, limited communications with vendors and liaison with financial clerks. At home, procurement clerk positions are held by supply technicians who fulfill Local Purchase Orders (LPO) as staff within unit QM. Traditionally, unit orderly rooms also have a few selected individuals with procurement clerks' delegations to buy office supplies, handle courier requirements, and other limited low dollar value office requirements. The process followed for such acquisitions is streamlined and does not constitute significant contracting experience, and finance clerks do not fill established positions in procurement cells within the CA. With the split between Human Resources (HR) and Finance clerks in 2016, the Canadian Joint Operations Command (CJOC) has taken to assigning deployed contracts clerk positions to the Finance specialty. This despite the fact that these personnel have no opportunity to gain experience in contracting while filling non-force employment roles. Not only does this hurt the insufficient pool of highly specialized Finance clerks (and sees them employed where their specific skills are underused), but it makes it impossible to force generate procurement clerks with experience within the supply system.

7. Recommendations related to force generation. The sourcing of procurement officers should be expanded to other support trades, such as the following branches: Logistics (every specialty), the RCEME, the Combat Engineers, Health Care Administrators, and Signals. These trades already work in close coordination with procurement staffs and would provide a well-balanced pool of contracting officers in terms of expertise. Experience could be maintained either in their respective units in support of QM staff, or in the Svc Bn procurement cells prior to a deployment. A similar recommendation applies to the clerks. Broadening the pool of trades where candidates are selected would be the first step. Ensuring that they gain experience within their units and/or with Svc Bn would be the next step. The trades that could be considered to force generate procurement clerks are all of those non-commissioned members part of the branches listed for procurement officers.

8. Establishing an enabling framework:

- a. Procurement cells need a streamlined and responsive technical network in support of procedural inquiries. As it stands, questions must be staffed up from the units and up through the chain of command to reach the CA G4 Contracts, with delays at each level and sometimes absence of qualified staff in some HQ. The CA G4 Contracts (or CA G4 Supply when the specialist position is unfilled) then fields to the questions to specialists and it can take several weeks prior to receiving a return. Once the answer is pushed down, follow on questions have to undergo the same process and sometimes do not get answered on time. This limits what unit level staff can accomplish and impedes their development;

- b. Every level of HQ requires contracting specialists within their ranks for procurement considerations during operational planning cycles and for management of files related to contracting irregularities. These positions are vital to the provision of advice to the chain of command on procurement, and to the overall planning processes taking place at each level. Logistics and RCEME officers in key positions of G4 cells are not all qualified to fulfill this role, and they only do it as a secondary duty in most cases; and
- c. Chains of command issuing Delegations of Authorities (DoA) must be able to provide appropriate guidance and oversight to their subordinates. The existing online training mandatory to all DoA holders does not provide the knowledge for the chain of command to delegate proper powers to their procurement staff. The selection of the delegation matrix columns delegated down is usually left to the finance clerks producing the DoA. Not only do they not have specific procurement training, but they are not in position to further restrict powers where the staff experience or unit requirements dictates, as is the chain of command's responsibility (or more specifically, that of the individual granting the DoA). Commanders also lack the technical knowledge to ensure the tasks they assign to their staff are aligned with the limitations of their respective DoA. Legitimate direct orders sometimes trigger contracting irregularities, as they call for powers that do not appear on their DoA, which results in junior personnel being held accountable.

9. Recommendations related to an enabling framework. Direct lines of communication must be established between procurement cells and subject matter experts within DND. For example, entities in Ottawa such as Director of Major Procurement (D Maj Proc) and the Director Supply Chain Operations (DSCO) have resident expert that could enable less experienced staff to fulfill their duties. The technical networking should strictly be for advice on technical questions related to their assigned mandate. Direction and decisions, when required, would be staffed up the chain of command as is common in other branches who use technical networking as a supporting tool. To enable the chains of command to play their role effectively, it is unnecessary to force them to complete the online Contracting Direct with the Trade (CDWT) training as it is currently done.⁶ Rather, it is suggested that detailed training on the power inherent to each column of the DoA tool be developed for all DoA holders in the CAF, regardless of their level. This would ensure that DoA holders are cognizant of the restrictions placed upon them (i.e. of the functions of columns not granted) as well as their authorities. A lack of knowledge in this area is one of the leading cause of contracting irregularities across the CAF.⁷ Finally, given the timelines for procurement and the reliance of operations on contracted goods and services, having a dedicated military specialist position in each HQ is deemed necessary. Tying into recommendations to have trades other than Logistics be trained on contracting, this would be an opportunity to gain and maintain experience for qualified officers from various backgrounds. These positions would also contribute to the staffing of files related to contracting irregularities, which is capability lacking at formation and division level resulting in significant delays.

⁶ Note: The CDWT course is an excellent training tool for procurement specialists. However, it is cumbersome and unnecessary for non-specialists to complete and it creates a false impression of granting holders of Delegations of Authority the training they require.

⁷ CA G4 Contracts Maj Theresa Green/JCSP 44 Student Maj Sophie Drolet, "Contracting Expertise within the Canadian Army (CA)" Feb 1, 2018.

CONCLUSION

10. Given the series of drastic measures that have impacted the procurement workforce and increased its workload over the past decades, the CA must reinvest in this force multiplying capability. The service currently has staff taking serious risks with the \$75K delegation, it is incapable of force generating knowledgeable procurement teams while maintaining functioning cells at home, and it does not offer an appropriate framework to enable its procurement workforce. As a starting point to this laborious process, a summary of the recommendations contained in the discussion portion of this paper is included at annex A.

Annex: A. List of recommendations to rebuild the CA procurement workforce

ANNEXE A - List of recommendations to rebuild the CA procurement workforce⁸

Recommendations related to contracting up to \$75K in Canada

1. Delegate the maximum procurement authorities for the CA to the procurement cells in the Service Battalions;
2. Create new positions within the procurement cells to manage the additional files and the increased complexity contracting limit increase from \$5K to \$75K:
 - a. Form a core of permanent civilian employees of appropriate level given the dollar value of authorities, supported by shorter terms military positions; and
 - b. Ensure that a minimum of one civilian employee is present within PRes Svc Bn procurement cells.
3. Enforce the 1st line unit responsibility to fulfill procurement requirements up to \$5K and establish mentoring relationships with procurement cells;

Recommendations related to force generation of procurement staff

4. Broaden the sourcing of procurement specialists to other support trades such as: Logistics (every specialty), the RCEME, the Combat Engineers, Health Care Administrators, and Signals;
5. Provide experience in procurement in garrison (in unit QM, in procurement cells or as Formation/Division HQ staff) to procurement officers and clerks of all trade by opening contracting military positions to qualified personnel from diverse support backgrounds;

Recommendations related to an enabling framework

6. Establish direct communications for technical networking between procurement cells and subject matter experts within DND, such as D Maj Proc and DSCO civilian employees;
7. Establish and/or fill military procurement staff positions in Formation and Division HQ to advise, plan contracting requirements and staff related files;
8. Create a DoA use & management course mandatory for all DoA holders and limit the completion of the CDWT course to procurement specialists only.

⁸ Note: These recommendations are substantiated in the main document to this annex and should be read in conjunction.

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