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Audit of Unforecasted Operational Requirement (UOR) Process

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Table of Contents

Acronyms and Abbreviations	i
Results in Brief.....	iii
Introduction	1
Background	1
Objectives	2
Scope	2
Methodology.....	3
Audit Criteria	3
Statement of Conformance	3
Findings and Recommendations.....	4
Governance and Process.....	4
Definition and Criteria.....	10
Tracking Systems.....	12
General Conclusion	14
Annex A—Management Action Plan	A-1
Annex B—Audit Criteria	B-1
Annex C—Summary of UOR Projects per Fiscal Year.....	C-1
Annex D—UOR Processes	D-1
Annex E—Sampled UOR Projects	E-1
Annex F—UORs Identified	F-1
Annex G—Comparison of Contracting Methods.....	G-1

Acronyms and Abbreviations

ADM(Fin CS)	Assistant Deputy Minister (Finance and Corporate Services)
ADM(Mat)	Assistant Deputy Minister (Materiel)
BPR	Business Process Renewal
CANOSCOM	Canadian Operational Support Command
CDS	Chief of the Defence Staff
CEFCOM	Canadian Expeditionary Force Command
CF	Canadian Forces
CID	Capability Investment Database
CRS	Chief Review Services
D Cost S	Director Costing Services
DCSFA	Director Corporate Submissions and Financial Arrangements
DND	Department of National Defence
DOS-SJS	Director of Staff – Strategic Joint Staff
DRMIS	Defence Resource Management Information System
EA	Expenditure Authority
ECIED	Enhanced Counter Improvised Explosive Device
EROC	Expedient Route Opening Capability
FY	Fiscal Year
IED	Improvised Explosive Device
IRB	Industrial and Regional Benefit
ISS	Impact Seating System
LF ISTAR	Land Force Intelligence, Surveillance, Target Acquisition and Reconnaissance
MND	Minister of National Defence
NSE	National Security Exemption
OPI	Office of Primary Interest
PAD	Project Approval Directive
PAG	Project Approval Guide
PAM	Procurement Administration Manual
PCRA	Project Complexity and Risk Assessment
PD	Project Director
PGM	Program Guidance Memorandum



PM	Project Manager
PMB	Programme Management Board
PRC	Procurement Review Committee
PWGSC	Public Works and Government Services Canada
RCIED	Radio Controlled Improvised Explosive Device
SJS	Strategic Joint Staff
SPAC	Senior Project Advisory Committee
SRB	Senior Review Board
TB	Treasury Board
TBS	Treasury Board Secretariat
UAV	Unmanned Aerial Vehicle
UOR	Unforecasted Operational Requirement (referred to as Unforecast Operational Requirements in the Project Approval Directive)
VCDS	Vice Chief of the Defence Staff



Results in Brief

UOR is an operational requirement for equipment or construction that requires faster approval, implementation, and delivery to the operational commander than the standard approval and acquisition procedures can provide.¹ This audit was included in the Risk-based Audit Plan for fiscal years (FY) 2012/13 to 2014/15. The objective of this audit is to determine whether risk management, governance, and internal controls are in place in order to achieve a more timely UOR process.

Most UOR projects occurred between FY 2005/06 and FY 2009/10, when the Canadian Forces (CF) operational tempo in Afghanistan was at its highest level. These UOR projects were urgent in nature and intended to reduce the CF casualties in the Afghanistan theatre or were critical to the success of the mission. Timely delivery of UOR projects, therefore, was crucial.

Overall Assessment

The delivery of UOR projects is more timely than regular projects. Timeliness would improve by developing a clearer governance structure and by increasing the risk tolerance.

Findings and Recommendations

UOR Governance and Processes. The delivery of UORs is not as efficient as it could be. The main reason for this is that current processes, both internal and external, do not facilitate the quick delivery of urgent requirements.

An integrated and streamlined process and a governance structure that accept risks within a higher tolerance level would allow for more timely delivery of UORs.

It is recommended that a governance structure and a streamlined process be developed that reflect the urgency of UOR projects through the following measures:

- identifying an appropriate organization to champion UOR projects;
- having early involvement and approval of senior management in place of the normal oversight process (Senior Review Board (SRB) and Programme Management Board (PMB)) to facilitate quicker decision making and approval;
- abbreviating the cost validation and submission processes to reflect senior management's willingness to accept higher risk for UORs and consider using a higher contingency amount to mitigate the higher risk related to the cost estimates; and
- considering negotiating the waiver or modifying certain external requirements (e.g., Project Complexity and Risk Assessment (PCRA), Industrial and Regional Benefit (IRB)) with the applicable organizations and the possibility of involving other government departments in the early stage of UOR projects in order to communicate the significance of these projects and obtain cooperation in expediting their delivery.

¹ DND, PAD, Chapter 6.

UOR Definition and Criteria. The current definition for UORs lacks the clarity and criteria necessary to identify truly urgent projects. It is imperative to have a clear and precise definition if all stakeholders are to play a role in expediting the delivery of UORs.

It is recommended that a definition and supporting criteria be developed for UORs that are truly urgent.

UOR Tracking Systems. The existing project tracking systems within the Department are either not in use or unable to track UORs.

It is recommended that, to assist in the monitoring and improvement of the UOR process, an identifier be developed for UORs in one of the departmental systems.

Note: Please refer to [Annex A](#)—Management Action Plan for the management response to the Chief Review Services (CRS) recommendations.



Introduction

Background

According to the Department of National Defence's (DND) Project Approval Directive (PAD), a UOR refers to "any operational requirement for equipment or construction that requires faster approval, implementation, and delivery to the operational commander than the standard approval and acquisition procedures can provide."²

In July 2008, the DND PMB noted that the PAG only addressed the UOR accountability issue and that further work must be done to streamline the UOR process.

In its fall 2009 Report, the Auditor General of Canada examined, among other areas, how DND managed its urgent projects to ensure that the acquisitions met government policies for project management and that the vehicles it was purchasing would meet the CF urgent operational needs. Among its recommendations, the Auditor General's report recommended that DND examine its PAG to determine how to manage the process of urgent operational procurements, and that Public Works and Government Services Canada (PWGSC) be involved earlier in the process.

In its Risk-based Audit Plan for FY 2010/11 to 2012/13, CRS assessed CF readiness and operations as a high-priority audit universe area. One of the programs that is instrumental to operations is the UOR process, of which an audit was included on the Risk-based Audit Plan for FY 2012/13 to 2014/15. As a result, CRS conducted an audit of this process.

Twenty-one UORs occurred between FY 2005/06 and FY 2009/10,³ when the CF operational tempo in Afghanistan was at its highest level. During this period, the CF suffered 146 casualties.⁴ These UORs were for equipment intended to reduce the CF casualties in Afghanistan or were deemed critical to the success of operational missions. Therefore, these UORs were urgent, and timely delivery of these projects was crucial. As well, there were no reported funding issues.

The 21 UOR projects have a value of \$1.13 billion (average is \$53.7 million, median is \$29.7 million), representing 6.3 percent of the dollar value and 16.0 percent of the number of projects for all of DND's capital equipment projects that occurred during FY 2005/06 to FY 2009/10 (see [Annex C](#)). UORs are not expected to occur when the CF are not in theatre, so the level of activity during these fiscal years is not representative of DND's typical annual UOR activities. For example, there were no UOR projects in FY 2010/11 or in FY 2011/12. Given the importance of UOR projects, that they are

² DND, PAD, Chapter 6. The PAD is the departmental policy for project approvals. It replaced DND's Project Approval Guide (PAG) in November 2011.

³ UORs were identified through keyword searches in the DND's Capability Investment Database (CID). The CID is the database used to record projects over \$5 million. Twenty-one UOR projects occurred between FY 2005/06 to FY 2009/10. No UOR projects prior to FY 2005/06 were identified in the CID. The list of UORs can be found in [Annex F](#).

⁴ DND, Fallen Canadians <http://www.forces.gc.ca/site/news-nouvelles/fallen-disparus/index-eng.asp>.

infrequent, and that in total their value represents a small portion of the Department's capital project expenditure, senior management should be able to justify accepting a higher level of risk to obtain a more timely delivery.

It should be noted that prior to FY 2007/08, there was no departmental policy to guide the management of UORs. As a result, project teams had to expend a lot of effort and use various practices to obtain timely approvals. In January 2008, the PAG, which contained the departmental policy for project approvals, was updated to include guidance for UOR projects.⁵ In November 2011, the PAD replaced the PAG and also provides direction for UOR project approvals. Both the PAD and PAG state that UOR projects should follow most of the approval and the Expenditure Authority (EA) processes for regular projects. Currently, Treasury Board (TB) policies do not differentiate between UORs and other projects.

From project identification to contract award, a UOR project goes through four separate processes that are similar to those used for regular projects: programme management, cost validation, corporate submission, and contracting. Each process falls under a different organization within DND and is governed by different policies.⁶ The description of these four processes can be found in [Annex D](#). A sample of four projects was selected in this audit. For these projects, the amount of time lapsed between the project identification date and the date of the first delivery ranged from three to 15 months.

At the time of this audit, the Department was not involved in any major operations that would require UORs. However, the Department should be prepared for future operations by having an effective expedited UOR process in place.

Objective

The objective of this audit is to determine whether risk management, governance, and internal controls are in place in order to achieve a more timely UOR process.

Scope

The scope of this audit included the process from project identification to contract award for UOR projects that obtained EA between FY 2005/06 and FY 2011/12, with a focus on projects over \$5 million.⁷ The scope of this audit did not include a detailed review of the following:

- projects less than \$5 million because the process for these projects was much less complex; and
- the processes and procedures of the Treasury Board Secretariat (TBS), PWGSC, and Industry Canada.

⁵ DND, PAG, Program Guidance Memorandum (PGM) 01/08.

⁶ Guidance for cost validation consists of the Costing Handbook; for programme management, it consists of the PAG/PAD; for corporate submission, it consists of the Corporation Submission Process; and for contracting it consists of the Procurement Administration Manual (PAM).

⁷ There is no field that distinguishes UORs from other projects in any departmental system, so a keyword search using UOR and derivatives thereof had to be used to identify them in the CID. Consequently, it cannot be stated with certainty that all UORs were identified.

Methodology

- Interviewed staff from Canadian Expeditionary Force Command (CEFCOM), Chief of the Army Staff, Director of Staff – Strategic Joint Staff (DOS-SJS), Vice Chief of the Defence Staff (VCDS), Assistant Deputy Minister (Finance and Corporate Services) (ADM(Fin CS)), and Assistant Deputy Minister (Materiel) (ADM(Mat)).
- Reviewed TB, PWGSC, and DND policies, including Contracting Policy, Policy on the Management of Projects, Procurement Review Policy, Standard for Project Complexity and Risk, Supply Manual, PAG, PAD, and PAM.
- Selected a sample of four UOR projects and reviewed project files. The details of these projects can be found at [Annex E](#).
- Reviewed policies and studies regarding management of urgent projects in the United States, Great Britain, and Australia.
- Analyzed data extracted from Director Defence Programme Coordination's CID, Director Corporate Submissions and Financial Arrangement's (DCSFA) ccmMercury database, and Director Costing Services' (D Cost S) Status Board.

Audit Criteria

The audit criteria can be found at [Annex B](#).

Statement of Conformance

The audit findings and conclusions contained in this report are based on sufficient and appropriate audit evidence gathered in accordance with Government of Canada internal audit policy, directives and standards using procedures that meet the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. The opinions expressed in this report are based on conditions as they existed at the time of the audit, and apply only to the entity examined.

Findings and Recommendations

Governance and Process

An integrated and streamlined process and governance structure that accept risks within a higher tolerance level would allow for more timely delivery of UORs.

Processes

Of the four processes (programme management, cost validation, corporate submission, and contracting), only the programme management process, governed by the PAD, has guidelines on expediting the approval process for UORs. The PAD introduces the concept of “tailored governance”⁸ that requires “early engagement of the Department’s senior leadership in the examination of the acquisition risks to determine how much risk will be accepted and when.” In order to do this, the project manager (PM)/project director (PD) can have a “walk-on discussion [...] at the first available PMB to discuss the minimum essential scope of the UOR, functional cross-impacts and the issue of urgency.”⁹ This practice likely helps UORs achieve more timely delivery.

Good Practice

Tailored governance can expedite UORs by having early involvement of senior management to assess risk and to decide how much risk to accept.

However, the PAD falls short in providing clear guidance on how to expedite the process to reflect the acceptance of higher risk. The policy still requires UORs to go through the same process as regular projects, with only the following three areas that can be expedited:

- staffing and procedures accelerated as required;
- using an abbreviated Project Brief; and
- PMB approval obtained in arrears if the PMB schedule does not meet the requirements for speed.

These guidelines are minimal and lack details. For example, the policy does not explain how staffing or which procedures can be accelerated, or what should be included in and excluded from the abbreviated Project Brief.

The policies for cost validation, corporate submission, and contracting do not have any specific guidelines on UORs.

Programme Management Process

Most UORs happened between FY 2005/06 to FY 2008/09 when the PAG (subsequently replaced by the PAD) did not have any guidelines on how to manage UORs. As a result, UOR project teams had to use various practices to obtain approval quickly, as follows:

⁸ DND, PAD, Section A.

⁹ DND, PAD, Chapter 6.

- UORs were given higher priority than regular projects.
- In some cases, certain steps were waived.¹¹
- PMB approval was obtained in arrears when needed.
- Most importantly, UORs had support from senior management. This allowed UORs to be treated with urgency by various players within the entire process.

The effectiveness and efficiency of these practices cannot be assessed due to the lack of tracking data. However, the PMs indicated that these practices likely aided in UORs being procured and delivered more quickly.

Good Practice

The Chief of the Defence Staff (CDS) issued a directive in February 2008¹⁰ dealing with counter-improvised explosive device (IED) projects, explicitly accepting financial and scheduling risks so that these UOR projects could be delivered faster.

Cost Validation Process

D Cost S is responsible for the cost validation process. It requires the costing data used in cost estimates of UOR projects to have the same quality as in regular projects. However in some cases, the data might not be readily available and might take a long time to collect. To partly compensate for this, D Cost S gives higher priority to UORs and works overtime on these projects. An average UOR appears to be processed slightly faster at D Cost S, as shown in Table 1.

Good Practice

In one sampled project, D Cost S accepted indicative cost elements to expedite the cost validation process. To mitigate the financial risk, higher contingency and cost ceiling were used.

Regular Projects	All UORs	Three sampled Counter-IED UORs
42	36	15

Table 1. Average Working Days a Project File Stays at D Cost S for Cost Validation.¹² For most UORs, the cost validation process is streamlined by only 14 percent of the average working days of regular projects.

¹⁰ DND, CDS Directive Enhancement of CF Counter-IED Capabilities, 3350-1 (SJS Deputy Commanding Officer), February 2008.

¹¹ On occasion, some large projects included a UOR portion and a non-UOR portion. In those cases, we considered only the UOR portion of the project.

¹² The numbers are obtained from Status Board, a database maintained by D Cost S to track the duration of cost validation for all projects submitted to them. The numbers include both processing time at D Cost S and waiting time for project teams to provide complete information. They are for comparison purposes only and should not be used as benchmark or performance measurement for D Cost S. Of the four UOR projects selected in our sample, three were counter-IED projects. See [Annex E](#) for a description of the four sampled UORs.

Three of the four sampled projects were for acquiring counter-IED capability. The cost estimates for these three projects were validated even faster, with an average time of 15 days, or less than half the time of an average UOR. This increased speed is likely at least partially due to the CDS directive for counter-IED projects. In one of them, D Cost S accepted indicative cost elements instead of substantive¹³ and agreed to a higher contingency and cost ceiling to mitigate the risks. Given that the importance of timely procurement of UORs and the decreased level of costs precision can be mitigated by a higher contingency, this practice should be considered for all UORs to shorten the delivery time.

Corporate Submission Process

DCSFA is responsible for the corporate submission process. Based on criteria developed by TB,¹⁴ projects are segregated into two categories: lower-risk projects and higher-risk projects. Lower-risk projects are submitted to the Minister of National Defence (MND) for ministerial approval. Higher-risk projects are submitted to TBS for TB approval. For TB submissions, DND has little control over TB's timeline, which includes approximately 20 working days for TBS analyst review and 17 working days for the Board meeting and approval.¹⁵ To prepare for the submission, UORs must go through the same process as regular projects. However, to speed up the process, DCSFA and the project teams have done the following:

- DCSFA gives higher priority to UORs and shortens the internal review time.
- DCSFA works with the project team to prepare all submission documents to avoid delays caused by waiting for missing information.
- Some steps can be expedited. For example, translation of the submission can be rushed by paying higher fees.
- “Walk the file”—the project team can bring the file directly to senior management and MND for approval signatures instead of submitting the file and waiting for a response. This requires that a draft copy of the submission be sent to senior management in advance, but can save up to 32 working days.¹⁶
- “Table drop”—MND gets involved directly to accelerate the process.

Good Practices

DCSFA has several good practices to expedite the corporate submission process.

¹³ Substantive costs are defined in the Costing Handbook as being within 15 percent of the actual costs, while indicative costs are expected to be within 25 percent. Substantive costs have higher quality and accuracy and are typically required for TB submission to acquire EA.

¹⁴ Determined by TB's Project Complexity and Risk Assessment score.

¹⁵ Treasury Board of Canada Secretariat, A Guide to Preparing Treasury Board Submissions.

¹⁶ DCSFA, Corporate Submission Process Guide, Steps 43 to 45.

These practices significantly reduced the time spent on submissions, as shown in Table 2. They should be reflected in policies to become standard practices for UORs.

Submission Type	Regular Projects	All UORs	Sampled UORs
TB	171	42	41
DND ¹⁷	169	44	44

Table 2. Median Number of Working Days Spent on a Submission.¹⁸ UORs are processed four times faster than regular projects.

Contracting Process

Joint Submission. All UORs within the scope of this audit went to PWGSC for contracting. Even though PWGSC has a process for urgent contracts, DND has little control over which projects can go through this process. Moreover, PWGSC is also required to obtain contract authority from TB for certain contracts.¹⁹ To save time, both DND and PWGSC can have a joint submission where one TB submission is done for both DND (to obtain EA) and PWGSC (to obtain contract authority). However, the expected time saving can vary due to the fact that the approval processes of the two departments are different and often do not progress at the same rate. For large projects, DND can have a PWGSC resource embedded within the project team and this can facilitate the joint submission.

IRB. The Department must submit plans for all procurements over \$2 million to the Procurement Review Committee (PRC) or the Senior Project Advisory Committee (SPAC),²⁰ which have representatives from various government departments including from various regions of Canada. The purpose of these committees is to consider the IRBs of defence procurements to ensure that the contracts provide benefits to various regions in Canada, either directly or indirectly. However, in practice, PRC/SPAC generally only review procurements over \$20 million. If IRB is imposed, it must be assessed as part of the bid evaluation and, therefore, this could lengthen the bid evaluation process. Also, contractors who could potentially deliver a solution in a timelier manner could be disqualified if they do not meet the IRB requirements. This could also lengthen the contracting process.

¹⁷ Depending on risk level, submissions can be approved internally by the MND.

¹⁸ Based on ccmMercury used by DCSFA to track the submission process. The time is counted from the day DCSFA receives the project file until approval is obtained. It can vary depending on when the project team brings the file to DCSFA. Because the time that the PM brings the file to DCSFA varies from project to project and because the data is not very reliable as it is entered manually, the numbers are for comparison purposes only and should not be used as benchmark or performance measurement for DCSFA. See [Annex E](#) for a description of the four sampled UORs.

¹⁹ For example, PWGSC has contract authority for competitive contracts for goods up to \$40 million and services up to \$20 million.

²⁰ Projects under \$100 million are reviewed by the PRC; projects over \$100 million are reviewed by the SPAC.

Consequently, waiving the PRC/SPAC review or increasing the limit could likely shorten procurement times for UORs. Of the 21 UORs identified in this audit:

- nine UORs are under \$20 million;
- four UORs are from \$20 million to \$50 million;
- five UORs are from \$50 million to \$100 million; and
- three UORs are above \$100 million (see [Annex F](#) for details).

Contract Tendering. It is not evident that contracting methods—competitive or non-competitive—affect the processing time or ease of execution (as shown in [Annex G](#)). For example, even though non-competitive procurements do not require posting on MERX²¹ or bid evaluation, TB needs to validate the non-competitive justification, which takes approximately 30 working days. If the validation requirement could be waived or expedited for UORs, non-competitive procurement would most likely be faster. If the competitive method is used, a national security exemption (NSE) can help reduce the posting time on MERX from 40 days to 10 days, and preclude unsuccessful bidders from appealing to the Canadian International Trade Tribunal. Of the four sampled projects, three projects were sourced through a competitive process and one was sourced through foreign military sales, which is a form of non-competitive contracting with the United States government.

Interdepartmental Coordination. Improving the timeliness of the delivery of UOR projects is not only dependent on a streamlined process within DND, it also relies on cooperation from other government departments. Therefore, DND should have discussions with other departments on how the external processes can be expedited. These discussions should occur in advance of the need for future UORs and agreements should be formalized, perhaps in the form of a Memorandum of Understanding. One of the key elements of such an agreement should be that DND involve external stakeholders in the very early stages of UOR projects so that their significance and the potential impact of delays are well understood by all.

Roles and Responsibilities

There is no single organization that is the champion of the entire process. A UOR project starts with Strategic Joint Staff (SJS) certifying the project as a UOR, followed by four distinct processes that belong to different organizations within the Department. According to the PAD, Canadian Operational Support Command (CANOSCOM) is responsible for tracking and ensuring the timeliness of UORs. Due to the lack of resources, CANOSCOM is currently not performing this duty. Moreover, CANOSCOM is unlikely to have influence over other organizations, such as D Cost S, nor is it in a position to dictate how these organizations prioritize their work. An appropriate organization with delegated authority from senior management should be designated as the process champion to help UORs get the highest priority across all organizations within the Department so that they can be delivered in the timeliest manner possible.

²¹ MERX is the Canadian public tendering tool for government contracts.

Since there are few UORs and they are expected to occur only when the CF are in theatre, the process champion should not require a newly created organization or require a significant amount of staff time.

PCRA Requirement

The PCRA requirement came into effect in April 2012. The Department is required to submit a PCRA form to TB for all projects over \$5 million so that TB can assess the project risk and decide if it wants to review and approve the project. The PCRA process can take up to 36 working days.²² The Department has little control over the timeline if a TB submission is required. Therefore, it is beneficial to have a low project risk score to keep the project approval authority within the Department. The following can help lower the project risk score:

- a well-documented and standardized process;
- a commitment from senior management to make resources available;
- a full-time, dedicated, and experienced project team;
- documented and well-defined requirements and risk management strategies; and
- an NSE from the various trade agreements.²³

Given the urgent nature of UOR projects, and the time required for the PCRA process, the Department should also consider requesting TB for a waiver of PCRA for UOR projects.

Although the requirement for UORs is infrequent, they are critical because they are intended to minimize casualties in operations. Ensuring that the process to acquire UORs is as efficient as possible while not placing undue risk on the Department is a priority. There are currently some very good practices in place that help accelerate the process. Some of these practices are included in guidelines, such as obtaining PMB approval in arrears, but most are practices not formalized in guidelines, such as waiving some programme management approval steps, accepting indicative costing and “walk(ing) the file” to obtain faster approvals.

Many of the processes within and outside of the Department do not differentiate between UORs and regular projects. The process for acquiring UORs has not been reviewed to ensure that all areas are as streamlined as they could be within an acceptable risk level for the Department. This can add risk to the safety of CF personnel.

²² DCSFA, Corporate Submission Process Guide.

²³ According to the PWGSC Supply Manual, paragraph 3.105.10, ADM(Mat) must send a request to PWGSC to invoke an NSE for all contracts awarded by PWGSC, who then decides if an NSE can be invoked.

Recommendation

1. In conjunction with DOS-SJS, ADM(Fin CS), ADM(Mat), and CEFCOM, develop a governance structure and an integrated and streamlined process that reflect the urgency of UOR projects through the following measures:

- identifying an appropriate organization to champion UOR projects;
- having early involvement and approval of senior management in place of the normal oversight process (SRB and PMB) to facilitate quicker decision making and approval;
- abbreviating the cost validation and submission processes to reflect senior management's willingness to accept higher risk for UORs and consider using a higher contingency amount to mitigate the higher risk related to the cost estimates; and
- considering negotiating the waiver or modifying certain external requirements (e.g., PCRA, IRB) with the applicable organizations and the possibility of involving other government departments in the early stages of UOR projects in order to communicate the significance of these projects and obtain cooperation in expediting their delivery.

OPI: VCDS

Definition and Criteria

The current definition for UORs lacks the clarity and criteria necessary to identify truly urgent projects.

An accurate definition and clear criteria for UORs is essential. Developing a suitable definition ensures that the UOR process is limited to a small number of operationally urgent projects. Furthermore, the ability to identify truly urgent projects justifies the use of scarce resources and the acceptance of higher risk that allows for their timely delivery. Since it is recommended that other departments participate in expediting the UOR processes, it is critical that the definition of UORs be precise to prevent the likelihood or appearance that the process could be used for non-urgent equipment/services.

Definition

The current name for UORs (i.e., “unforecasted”) focuses on the omission of the requirement in the departmental plans, and causes misconceptions regarding the nature and urgency of these projects. Amongst stakeholders, there were varying opinions as to whether UORs were urgent projects or unforecasted ones. According to the PAD, “Unforecast Operational Requirement is the term given to any operational requirement for equipment or construction that requires faster approval, implementation, and delivery to the operational commander than the standard approval and acquisition procedures can provide.” This definition does not sufficiently stress the urgent nature of these projects, as the need for faster delivery could apply to projects not as critical as UORs.

CEFCOM has its own internal definition²⁴ for UORs that varies from what is stated in the PAD. CEFCOM defines UORs as projects that “are not normally foreseen during the mission development” and have various levels of urgency:

- “essential” (imperative for operations);
- “desirable” (desirable for operations); and
- “nice to have” (neither essential nor desirable for operations).

These categories illustrate an underlying issue with the definition of UORs, since projects classified as “nice to have” or even “desirable” do not require the urgency that is central to the concept of a UOR.

Criteria

No criteria currently exist within departmental policy to determine which projects should be classified as UORs. However, stakeholders generally share similar opinions on what sort of characteristics are intrinsic to UORs. While other criteria are used, preventing loss of life and importance to mission success are the two most commonly used criteria.

Table 3 highlights how frequently these two criteria are used in various sources (e.g., submission documents, CEFCOM policy), and mentioned by different stakeholders (e.g., PMs, PDs, allies).

	CDS C-IED Directive ²⁵	PMs and PDs Interviewed	CEFCOM Policy ²⁶	DND UOR Project Documents	Allies (United States, Great Britain, Australia)
Preventing Loss of Life	Yes	6/6	No	14/20	3/3
Mission Success	Yes	6/6	Yes	9/20	3/3

Table 3. Criteria Used in Various Sources. Loss of life and mission success are common criteria for UORs.

In the case of Canadian allies, these two criteria were particularly prevalent. The specific policies of the United States, Great Britain, and Australia are summarized below:

- United States: Defined as an “Urgent Need,” UORs reflect a situation that “if not addressed immediately, will seriously endanger personnel or pose a major threat to ongoing operations”²⁷;
- Great Britain: UOR stands for “Urgent Operational Requirement” and consists of urgently needed battle-winning or life-saving equipment²⁸; and

²⁴ CEFCOM, Series 3000, Section 14, Unforecasted Operational Requirements (UOR).

²⁵ DND, CDS Directive Enhancement of CF Counter-IED Capabilities, 3350-1 (SJS Deputy Commanding Officer), February 2008.

²⁶ CEFCOM, Series 3000, Section 14, Unforecasted Operational Requirements (UOR).

²⁷ United States Department of Defense, Chairman of the Joint Chiefs of Staff Instruction, “Rapid Validation and Resourcing of Joint Urgent Operational Needs (JUONS) in the Year of Execution.”

- Australia: A project is a UOR when “a failure to acquire [systems] represents a very real threat to our people or the mission’s success.” Furthermore, to be classified as a UOR, the requirement could not have been reasonably foreseen and it must be deployable within the time frame of the operation.²⁹

Lastly, the Counter-IED Directive released by the CDS in February 2008 specifically addressed the reasons for the urgency in delivering these UORs. Similarly to the other sources, the CDS believed it was the fact that these projects were critical to mission success and preventing loss of life that explained their urgency.

The current definition is not precise enough to identify projects that are truly urgent for operations. This can cause confusion within the Department and a lack of credibility with external stakeholders. Establishing an appropriate set of criteria will help ensure that sufficient resources and energy are devoted to urgent projects that warrant classification as UORs. Also, this will be required if the Department is to ask outside stakeholders to help expedite the process to acquire UORs.

Recommendation

2. In conjunction with the VCDS, develop a definition and supporting criteria for UORs that truly warrant urgency.

OPI: DOS-SJS

Tracking Systems

The existing project tracking systems within the Department are either not in use or unable to track UORs.

The PAD assigns the responsibility of tracking UORs to CANOSCOM through the JForce-i system.³⁰ This is a suite of applications developed in 2005 that includes one module to track UORs from initial request to delivery. CANOSCOM is currently not using the system, nor is it tracking UORs. Moreover, the system might not be able to track major projects that require several stages of approval.

The Department has several other systems that track projects at various stages. For example, PMs use the CID to manage major projects, and DCSFA uses the ccmMercury system to track the submission process. None of these systems has a mechanism to distinguish UORs from regular projects, and thus, not only is it impossible to track UORs effectively, it is impossible to even identify them. For example, for this audit, UORs were identified by doing a keyword search of project names to determine if they included the words UOR or derivatives thereof.

²⁸ United Kingdom, B. Gray. “Review of Acquisition for the Secretary of State for Defence – An independent report by Bernard Gray,” October 2009.

²⁹ Australian Government, Department of Defence, “Defence Instructions (General): Rapid Acquisition of Capability.”

³⁰ This system is also referred to as “J4i” in the PAD. DND, PAG, PGM 01/08.

Because the Department has very few major UOR projects every year, a major system development solution is not recommended. However, it is imperative to be able to identify UORs for reporting purposes and to help in managing the process, including tracking, optimizing the critical path, developing and documenting lessons learned and training, etc. The Department currently has a few project management systems, including the CID and Defence Resource Management Information System (DRMIS). A simple identifier in an appropriate departmental system should be sufficient. For example, current project numbering protocols in the CID could be modified to include an identifier for UORs.

During the completion of this audit, it was concluded after significant efforts that it was not possible to easily identify all UOR projects. Therefore, a complete list of all UORs could not be provided to the team. Since all UOR projects cannot be readily identified, it is challenging for the Department to identify areas of concern or to share best practices.

Recommendation

3. To assist in the monitoring and improvement of the UOR process, an identifier should be created in one of the departmental systems.

OPI: VCDS

General Conclusion

During the Afghanistan operations, the Department displayed great initiative in expediting the process to acquire UORs. Now that the operations have subsided, it is a good opportunity to review activities in a more structured fashion and determine how they could be made more efficient in preparation for the next time that UORs are required. Being prepared in advance for these time-critical activities will help improve the chances of delivering equipment where it is needed in a faster timeframe.

Some of the activities that affect the timing of delivery of UORs are under the control of other departments. In order to obtain their cooperation, it will be critical for all stakeholders to work together. This starts with having a definition and criteria for UORs that is precise and accepted by all stakeholders.



Annex A—Management Action Plan

UOR Governance and Processes

CRS Recommendation (High Significance)

1. In conjunction with DOS-SJS, ADM(Fin CS), ADM(Mat) and CEFCOM, develop a governance structure and an integrated and streamlined process that reflect the urgency of UOR projects through the following measures:
 - identifying an appropriate organization to champion UOR projects;
 - having early involvement and approval of senior management in place of the normal oversight process (SRB and PMB) to facilitate quicker decision making and approval;
 - abbreviating the cost validation and submission processes to reflect senior management's willingness to accept higher risk for UORs and consider using a higher contingency amount to mitigate the higher risk related to the cost estimates; and
 - considering negotiating the waiver or modifying certain external requirements (e.g., PCRA, IRB) with the applicable organizations and the possibility of involving other government departments in the early stages of UOR projects in order to communicate the significance of these projects and obtain cooperation in expediting their delivery.

Management Action

VCDS agrees with this recommendation and will determine a solution by September 2013, taking into account the results of the ongoing Business Process Renewal (BPR) project approval findings before making a determination. While the BPR was not tasked to look specifically at UORs, it should point to a way ahead that is significantly more streamlined.

OPI: VCDS

Target Date: September 2013

UOR Definition and Criteria

CRS Recommendation (High Significance)

2. In conjunction with the VCDS, develop a definition and supporting criteria for UORs that truly warrant urgency.

Management Action

SJS staff will consult internally with Canadian Joint Operations Command, Materiel Group and VCDS staff and externally with PWGSC and TBS in order to develop a useful definition and terminology for requirements of this nature.

OPI: DOS-SJS

Target Date: January 2013

UOR Tracking Systems

CRS Recommendation (Moderate Significance)

3. To assist in the monitoring and improvement of the UOR process, an identifier should be created for UORs in one of the departmental systems.

Management Action

VCDS agrees with this recommendation and will provide a solution by December 2012. As it is not certain which of the departmental tracking tools would best serve the need and which can be easily modified, there will need to be a trial of the existing systems. The intent will be to “war-game” various information systems including the Chief of Programme Submissions Tracker, the CID and DRMIS to explore potential options. This review should be completed by 30 November with a system selected and operable by 31 December 2012.

OPI: VCDS

Target Date: December 2012

Annex B—Audit Criteria

Criteria Assessment

Level 1 (Satisfactory); Level 2 (Needs Minor Improvement); Level 3 (Needs Moderate Improvement); Level 4 (Needs Significant Improvement); Level 5 (Unsatisfactory)

Risk Management

1. **Criteria.** Risks are identified, prioritized, and acted upon.

Assessment. Level 1 – Senior management is involved in the early stages of UOR projects to consider risk.

Governance

2. **Criteria.** Roles and responsibilities are clearly documented and an adequate knowledge transfer exists that maintains and passes along corporate knowledge about completing UORs in a timely and effectively manner.

Assessment. Level 3 – No single organization oversees the UOR processes. The roles and responsibilities of SJS and CANOSCOM need to be clarified.

Management Control Framework

3. **Criteria.** UOR process is streamlined and efficient.

Assessment. Level 4 – The PAD does not elaborate on certain requirements for the programme management process for UORs. Cost validation, submission and contracting processes do not treat UORs differently than regular projects. Some good management practices are not reflected in policy; for example, giving UORs higher priority, working closely with the Office of Primary Interest (OPI), and using higher contingency amounts to mitigate higher risk related to cost estimates.

4. **Criteria.** The term “UOR” is clearly and consistently defined and understood/used by stakeholders.

Assessment. Level 3 – The current definition for UOR lacks the clarity and criteria necessary to identify truly urgent projects. There are no criteria to define urgency.



5. **Criteria.** UORs are accurately tracked.

Assessment. Level 2 – No system is used to track UORs. Only minor changes are needed to the current system.

6. **Criteria.** There is sufficient funding for UORs.

Assessment. Level 1 – No funding issues were identified for UORs.

7. **Criteria.** Performance targets are set and modified for the UOR process.

Assessment. Level 1 – Performance targets were informally set for UORs.

Sources of Criteria

- TBS, Core Management Controls: A Guide for Internal Auditors, November 2007
- DND, PAG
- DND, PAD 2011-2012
- DND/CF Integrated Risk Management Policy

Annex C—Summary of UOR Projects per Fiscal Year

FY ³¹	Capital Equipment Projects (\$M)	Capital Equipment Projects (#)	UORs over \$5M (\$M)	UORs over \$5M (#)
2009/10	\$4,529	27	\$19.4 (0.4%)	1 (3.7%)
2008/09	\$3,575	30	\$88.8 (2.5%)	2 (6.7%)
2007/08	\$5,301	25	\$199.5 (3.8%)	7 (28.0%)
2006/07	\$3,339	24	\$546.4 (16.4%)	5 (20.8%)
2005/06	\$1,222	25	\$272.8 (22.3%)	6 (24.0%)
Total	\$17,966	131	\$1,126.9 (6.3%)	21 (16%)

Table 4. Summary of UOR Projects per Fiscal Year with Percentages Relating to All Capital Equipment Projects. The number of UORs represents 16 percent of the total number and 6.3 percent of the total value of all capital equipment projects in DND from 2005/06 to 2009/10.

³¹ For FY 2010/11 and 2011/12, no UOR was identified.

Annex D—UOR Processes

Programme Management. This process is under VCDS/Chief of Programme and requires projects to obtain approval and oversight from senior management at PMB twice. The first time is at the end of the option analysis phase to obtain Preliminary Project Approval and the second time is at the end of definition phase to obtain the Effective Project Approval.

Cost Validation. This process is under ADM(Fin CS)/Director General Financial Management/D Cost S and is to validate that the total cost of the project estimated by the project team is appropriate and within a certain level of accuracy. The validated cost estimates are used throughout other processes.

Corporate Submission. This process is under ADM(Fin CS)/Director General Strategic Finance and Financial Arrangements/DCSFA and has two purposes. One is to obtain project approval from higher level, either MND or TB, and the other is to obtain EA. The submission has to be done twice, once for Preliminary Project Approval and once for Effective Project Approval. This process seeks the necessary authorities to implement the programme decisions made through the programme management process.

Contracting. This process is under ADM(Mat). Once all approvals are obtained, the project will go through the contracting process. A project requires the necessary contract authorities before a contract can be signed. Depending on the type of contract and its dollar value, the contract authority could be DND, PWGSC or TB.



Annex E—Sampled UOR Projects

	RCIED ³²	EROC ³³	ISS ³⁴	ECIED ³⁵
\$ of UOR portion	\$28M	\$29M	\$49M	\$75M
Cost validation time (working days)	7	14	51	24
Submission time (working days)	17	71	30	38
Contracting method	Competitive	Foreign Military Sale ³⁶	Competitive	Competitive
Submitted to PRC/SPAC	No	No	No	Yes

Table 5. Sampled UOR Projects. Four projects were selected for this audit to review in detail how they were handled.

³² RCIED – Radio Controlled Improvised Explosive Device: to acquire capability to neutralize RCIEDs by blocking the signal.

³³ EROC – Expedient Route Opening Capability: to acquire sets of three vehicles that can detect, investigate, and remove concealed IEDs along roads.

³⁴ ISS – Impact Seating System: to acquire a seating system for occupants of wheeled and tracked armoured fighting vehicles. The system isolates the seating from the sidewall structure of the vehicles and has a restraint system to protect occupants from explosion.

³⁵ ECIED – Enhanced Counter-IED: to acquire a full-time persistent surveillance system that can provide longer-range monitoring and detection of concealed devices.

³⁶ The Foreign Military Sales Program provides a mechanism through which Canada and other nations can purchase defence materiel and services directly from the United States Government.

Annex F—UORs Identified

Project Number	Project Title	Cost of UOR portion (\$M)
00000747	LF ISTAR – Tactical Unmanned Aerial Vehicle UOR	38.0
00001015	LF ISTAR – Family of Mini-UAVs	12.4
00001017	Lightweight 155mm Towed Howitzer (UOR)	69.2
00001070	Armoured Patrol Vehicle	118.1
00001071	Radio and Satellite on the Move	7.2
00001074	RCIED Defence	28.0
00001112	Enhanced Counter-IED Project	75.0
00001199	Expedient Route Opening Capability	29.7
00001203	Armoured Heavy Support Vehicle System	135.0
00001204	Light Armoured Vehicle – Remote Weapon System	51.9
00001231	Exposed Crew Protection Kit (Turret)	6.7
00001232	Exposed Crew Protection Kit (Sentry)	2.4
00001233	Crew Vision Enhancement	16.0
00001234	Non-Lethal Laser Dazzler	13.8
00001235	Exposed Crew Protective Equipment	8.2
00001237	Add-on-Armour (Light Armoured Vehicle – Remote Weapon System)	7.8
00001241	Tank Replacement Project	322.0
00001242	Improvised Explosive Device and Mine Protection Kits	52.5
00001243	Impact Seating System	46.8
00001611	Light Armoured Vehicle II Belly Armour Kit	19.4
C.001259	Interoperable Griffon Reconnaissance Escort Surveillance System	66.9
	Total	1,127.0

Table 6. UORs Identified in the CID. A keyword search was used to identify these UORs in the CID. They were initiated between 2005 and 2009, inclusively.

Annex G—Comparison of Contracting Methods

	Competitive	Non-competitive (sole-source)
Contracting Authority for Goods	TB > \$40M PWGSC up to \$40M DND up to \$400,000	TB > \$2M PWGSC up to \$2M DND up to \$25,000
Time Frame	10 to 65 days in MERX + bid evaluation	TB approval adds approximately 30 working days ³⁷

Table 7. Comparison of Contracting Methods. Non-competitive method does not appear to be faster than competitive due to the requirement for TB to validate the sole-source justification.

³⁷ DND, PAM, AL 30 April 2011.