MANAGEMENT BOARD SECRETARIAT

Movable Assets

3.12

BACKGROUND

Ministries' movable assets consist primarily of office furniture and equipment, such as photocopiers and fax machines; information technology (IT) equipment, including desktop and notebook computers, printers and other peripherals; audio-visual equipment, such as televisions, VCRs and cameras; and motor vehicles.

During the 1998/99 fiscal year, all ministries spent approximately $500 million on movable assets, much of which was spent on IT equipment in preparation for Y2K. However, the total value, type and quantity of movable assets on hand were not known because ministries did not keep adequate records in that regard.

Management Board of Cabinet has issued several directives related to the acquisition and management of equipment, supplies and services, including information technology resources. These directives include the following principles, which in turn are reflected in mandatory requirements.

Principles

- The overall objective is to acquire and supply at the right time and in the most economical manner the appropriate level of equipment, supplies and services required to meet government needs.
- For IT procurements specifically, ministries are to acquire IT to fulfil identified business needs through a fair, open and competitive procurement process that treats suppliers fairly and equally.
- Once acquired, all equipment, supplies and services are to be managed efficiently, effectively and economically.

Mandatory Requirements

- Ministries must ensure that planning forms an integral part of the acquisition process and includes clear definitions of requirements, justification for the acquisition, consideration of alternative ways to satisfy the need and selection of the most appropriate option for approval.
- Except for certain equipment, supplies and services that must be obtained from approved mandatory central common services, acquisitions must be made through a competitive process that ensures the best value for funds expended to meet the specific needs and promotes fair dealings and equitable relationships with the private sector.

- Ministries must choose the supplier that meets all mandatory requirements and has the lowest evaluated cost.

Once acquired, movable assets must be managed in an efficient, effective and economical manner. Appropriate systems must be established and maintained to ensure the effective management and security of these assets. To help maintain their security, the existence of movable assets must be periodically verified at intervals that vary with the nature of the assets, but in no case less than every four years.

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to assess whether government-wide and ministry-specific policies and procedures were adequate to ensure that movable assets were:

- acquired based on assessed needs and in an economical manner; and
- managed efficiently, effectively and economically.

We conducted our audit work at five ministries: Consumer and Commercial Relations, Education, Health and Long-Term Care, the Solicitor General and Transportation. Since the Management Board Secretariat (MBS) develops government-wide procurement policy and had entered into government-wide standing agreements for IT equipment acquisitions that were used by most of the five ministries, we also reviewed the role of MBS in the procurement process.

We issued detailed reports to each of the deputy ministers of the ministries included in our scope. Because MBS sets government-wide policies and standards for acquiring and managing movable assets, we summarized the more significant issues addressed in the individual reports to the ministries in this report to MBS.

Our audit work with respect to movable asset acquisitions focused on the leasing of IT equipment, since that accounted for an overwhelming majority of all movable asset expenditures during the 1998/99 fiscal year. The scope of our audit included a review and analysis of relevant files and administrative procedures, inspection of a sample of movable assets, as well as interviews with appropriate ministry and MBS staff.

Prior to the commencement of our work, we identified the audit criteria that would be used to address our audit objectives. These criteria were reviewed and agreed to by senior management of the five ministries audited and MBS.

Our audit included the period up to March 2000 and was conducted in accordance with standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

The work of the ministries' internal audit services did not affect the extent of our audit work because they had not conducted any work on movable assets during the last three years.

OVERALL AUDIT CONCLUSIONS

We concluded that, although the ministries generally followed the process recommended by MBS for acquiring IT equipment in that they used the MBS standing agreements for their equipment acquisitions, doing so did not ensure that they received value for money spent. In particular, we found that the ministries needed to work with MBS to ensure that:

- IT equipment is acquired at a competitive price.
- Assessments of the various makes and models of available equipment are made and documented to ensure selected equipment is the most appropriate and cost effective for their needs.
- The desirability and cost-effectiveness of leasing IT equipment in comparison to other forms of financing or purchasing is established.
- Equipment leases are entered into only when necessary and only on competitive terms.

In order to comply with the MBS directives, the ministries also needed to:

- maintain accurate and up-to-date listings of all owned and leased movable assets;
- periodically verify the existence and efficient deployment of all movable assets; and
- follow up on any missing or underutilized assets on a timely basis so that any necessary corrective action can be taken.

DETAILED AUDIT OBSERVATIONS

ACQUISITION OF INFORMATION TECHNOLOGY EQUIPMENT

INFORMATION TECHNOLOGY EQUIPMENT PRICING

In 1996, MBS established standing agreements for the acquisition of IT equipment with 22 major equipment manufacturers. Under the terms of these agreements, ministries can determine a manufacturer’s product availability and pricing from Web sites that are updated periodically. Although ministry use of these standing agreements is optional, four of the five ministries included in the scope of our audit used them to acquire their IT equipment. The fifth ministry had established its own purchase arrangements with a supplier; however, the prices obtained from that supplier were generally equivalent to the prices offered under the manufacturer’s standing agreement with MBS.

Since 1997, ministries have been advised by MBS staff in writing that they were exempted from using competitive acquisition procedures for IT equipment acquired under the MBS standing agreements. We found that ministries generally did not assess the competitiveness of prices offered under the standing agreements because they believed that the MBS standing agreements were entered into competitively, as required by Management Board of Cabinet directive. In addition, the need to negotiate additional discounts for large-volume purchases was not well communicated by MBS or understood by the ministries. For example, while MBS staff advised us that ministries were expected to receive additional discounts for large-volume purchases, ministry staff we interviewed all assumed that such discounts were already reflected in the prices posted on the manufacturers' Web sites.

The process for establishing these standing agreements allowed all vendors the opportunity of meeting the mandatory technical requirements. However, pricing under the proposed agreements was not evaluated as required by the Management Board of Cabinet directive. Specifically:

- In January 1996, MBS issued a request for quotations (RFQ) to qualified manufacturers for the supply of IT equipment through suppliers at preferred Government of Ontario prices. We noted that all responding manufacturers were awarded a standing agreement as long as they complied with the mandatory technical requirements.
- Manufacturers were required to offer their equipment at preferred Government of Ontario prices. However, since the term "preferred Government of Ontario prices" was not defined, it could not be assumed to represent competitive prices, which change frequently over time.

Our review of the RFQ and the resultant standing agreements with the manufacturers also indicated that:

- The manufacturers were required to demonstrate how MBS would be assured, and be able to audit, that the manufacturer continues to offer products at preferred Government of Ontario prices.
- Manufacturers were required to maintain the calculations used to establish their preferred Government of Ontario prices for a period of up to four years following the expiry or termination of their standing agreements and to make such records readily available for inspection by MBS staff. However, MBS staff had never asked for or reviewed any of these records to determine how preferred Government of Ontario prices were, in fact, established.

At the conclusion of our field work, we noted that MBS had not periodically compared the prices in the standing agreements with other prices for comparable equipment to ensure that the standing agreement prices remained competitive. Subsequently, MBS indicated that they had recently compared their prices to those outlined in a U.S. study that illustrated prices a U.S. buyer would be willing to pay. MBS concluded that this indicated their prices were competitive. However, in our view this comparison was limited because it did not assess whether the prices being paid by the Ontario government were, in fact, comparable to prices being paid by other large Canadian public and private sector organizations.

It was difficult to compare equipment prices available through the MBS standing agreements given the frequently unique features and model numbers identified on the suppliers' Web sites. However, our comparison of the MBS standing agreement prices for the same or very similar equipment available from other sources indicated that the standing agreement prices were often not the most economical available. For example, in reviewing a sample of MBS standing agreement computer prices, we found that in most cases considerable savings could have been achieved if purchases had been made from sources other than those of the MBS standing agreements.

We also noted that the processes used by other jurisdictions to establish IT equipment prices under standing agreements differed significantly from the process followed by MBS. For example, the federal government and the provincial governments of Alberta and British Columbia ensured the continuance of competitive prices under their standing agreements by:

- periodically retendering their agreements to establish new prices;
- establishing standing agreement prices based on a fixed percentage discount from the manufacturers' published list prices; and
- individually tendering large-volume purchases of equipment in excess of a threshold amount that varied with the type of equipment to be purchased.

Subsequent to the completion of our audit fieldwork, we were advised by MBS staff that they were developing an IT procurement policy based on the Total Cost of Ownership (TCO) concept. The TCO concept is a comprehensive approach under which ministries will be required to assess the combined costs of IT equipment and services, such as configuration, installation, maintenance support and leasing, before making a purchase decision.

To implement this approach to IT acquisitions, MBS intends to enter into a mandatory government-wide standing agreement with a vendor that will be selected through a competitive process by the end of fiscal year 2001/02.

MBS also advised ministries that, as their own agreements with approved vendors expire, it will become mandatory for them to use the standing agreements established by MBS. It is therefore necessary for MBS to make substantial changes to the pricing provisions under its standing agreements.

Recommendation

To ensure that ministries acquire information technology (IT) equipment in compliance with Management Board of Cabinet directives, Management Board Secretariat (MBS) should work with ministries to ensure competitive prices are achieved until a new competitive pricing structure is established through implementation of the proposed Total Cost of Ownership concept.

Management Board Response

MBS is developing a government-wide procurement model for desktop computers and will issue a request for proposals (RFP) by spring 2001 (which will involve the selection of a third-party service provider). The RFP will be to provide desktop equipment and services and will ensure pricing is in line with market conditions and ensure continuous benchmarking to provide best value for money spent.

It should also be noted that as part of the information management and information technology (IM/IT) planning process, ministries were directed in 1998, for the 1999/2000 IM/IT plans, to report on the Total Cost of Ownership (TCO) for desktop computers and to take steps to reduce the TCO for desktop computers through standardization of equipment and software. As

well, though MBS began this process with desktop computers, MBS intends to look at all information technology expenditures from a TCO perspective.

In addition, MBS will monitor and benchmark equipment prices on a quarterly basis and will continue its training program for staff involved in IT product procurement and in the use of IT-related standing agreements.

INFORMATION TECHNOLOGY EQUIPMENT SELECTION

Although ministries are expected to assess the available equipment models offered by the various manufacturers and select those that are the most appropriate and cost effective for their needs, we often found no evidence that this occurred.

We understand that, in practice, some ministries selected equipment manufacturers based either on the equipment that was already deployed in their ministries or on the equipment used by other associated ministries.

Similarly, we generally found no evidence to indicate that ministries had evaluated the various models and prices of available equipment to ensure that the models selected were the most appropriate and cost effective for their needs. We understand that the ministries often acquired equipment models from those available under the standing agreements based on recommendations from manufacturers or suppliers.

As a result, the equipment acquired by ministries was not always the most appropriate or cost effective for their needs. For example, we noted the following:

- After the Ministry of Education had selected equipment from a particular manufacturer to be acquired in preparation for Y2K, another equipment manufacturer requested that the Ministry evaluate the cost-effectiveness of its equipment. Although the Ministry found that for its requirement of comparable desktop computers alone, the other manufacturer’s equipment would have cost approximately $690,000 less over the term of a three-year lease, the Ministry nevertheless stayed with the manufacturer it originally selected.
- Staff at the Ministry of Health and Long-Term Care determined that the Ministry had paid approximately $800 more per desktop computer than it would have paid for a comparable model from the same vendor that would have also met their needs.

Based on the results of our audit work in this area, we recommended in our individual reports to the ministries we audited that, in the future, the ministries should ensure they receive value for money spent by assessing the equipment models available from the various manufacturers and selecting for acquisition those that are the most appropriate and cost-effective for their needs.

The ministries accepted the necessity of receiving the best value for money in the IT acquisition process. Specific manufacturers and models were often selected based on equipment already in place and acquired at prices available under the MBS standing agreements, which the ministries believed were entered into competitively.

Ministries also indicated that they would consult and work with MBS to ensure that value for money is received for all future IT acquisitions.

3.12

INFORMATION TECHNOLOGY EQUIPMENT LEASING

Management Board of Cabinet Directive 7-4 requires that ministries consider alternative financing arrangements for IT procurements exceeding $1 million. However, in October 1998, MBS staff advised ministries of a change in policy direction requiring them to lease-finance their IT equipment, without having requested that Management Board of Cabinet amend Directive 7-4 accordingly. Buying or building their own equipment was recommended only for relatively rare circumstances, such as when the equipment required is unique, is unavailable through lessors or has an extraordinarily long life-span.

In October 1996, MBS entered into a two-year master lease agreement with a leasing company for the leasing of IT equipment by ministries, agencies and other members of the broader public sector. Although ministry use of this agreement was optional, ministries were encouraged by MBS to lease their required IT equipment because doing so would enable costs to be spread over the useful lifetime of the equipment and result in predictable annual costs linked to ongoing business requirements.

Given this change in MBS direction toward leasing, we found that all of the ministries we audited lease-financed most of their equipment requirements. Three of them used the MBS standing agreement while the other two established their own leasing agreements with different vendors.

We noted that, in February 1998, Management Board of Cabinet approved the implementation of the government’s Information and Information Technology Strategy. As part of MBS’s presentation to Management Board of Cabinet detailing this Strategy, MBS specifically stated that IT equipment would be leased. However, neither MBS staff nor the ministries were able to provide us with an analysis that compared the cost-effectiveness of leasing in general or under the MBS standing agreement in particular to other forms of financing and that demonstrated that leasing was the most advantageous choice. Instead, most ministry staff advised us that they leased their equipment in order to comply with the most recent MBS policy direction and that cost was not a factor in their decisions.

Our review of a number of leases in each ministry led to concerns as to whether value for money had been received in many cases. In particular, we noted that annual lease obligations were frequently prepaid, which calls into question the need to enter into any lease-financing arrangements at all. For example:

- In March 1999, the Ministry of Education entered into a three-year equipment lease agreement under the MBS standing agreement and prepaid the full cost, which amounted to $17.2 million. By prepaying the entire amount at the beginning of the lease, the Ministry received a discount of $569,600 or approximately 3%, amortized over the three-year term of the lease. We noted that this discount compared very unfavourably to the 7% interest, or $1,250,000, charged by the leasing company and included in the prepaid value of the lease.

  In addition, since the prepayment was based on an over-estimation of its equipment requirements, at the time of our audit in November 1999, the leasing company was still holding over $3 million of the Ministry’s prepayment even though the Ministry’s equipment requirements had been met. We understand that the Ministry was to have received interest equivalent to the three-month T-Bill rate on the outstanding prepayment balance. However, in early 2000, despite numerous requests, the Ministry had not yet received any information from the leasing company on the amount of interest earned.

- Similarly, the Ministry of Transportation prepaid a portion of its 1999/2000 lease obligation at the end of its previous fiscal year in order to use available funding for that year. As a result of this prepayment, the Ministry received a discount of $20,700 or approximately 3.25%. We noted that this discount compared very unfavourably to the approximately 7.25% interest, or $46,200, charged by the lessor and included in the year's payment amount.

The 1996 MBS standing lease agreement contained a provision for annual renewals at the conclusion of the original two-year term. In November 1999, the agreement was renewed, and, among other changes, it contained revisions that significantly reduced the residual values assigned to leased equipment from 17% to 7% on a three-year lease. This significantly increased the government's leasing costs under the agreement. In addition, the leasing company added a provision to the agreement that allowed it to adjust the interest rates and residual values to be applied to leases entered into, although MBS may terminate the agreement on 90 days' written notice.

Given these significant changes in terms and the resultant increase in leasing costs as compared to the original standing agreement, it is our view that the entire agreement ought to have been competitively retendered to ensure that it resulted in the government receiving the most competitive terms possible.

Based on our findings, we recommended in the individual reports to the ministries we audited that, to help ensure IT acquisitions are financed in an economical manner, ministries should:

- consider alternative financing arrangements for acquisitions valued at more than $1 million to ensure that they obtain competitive terms, as required by Management Board of Cabinet directive; and
- enter into a lease or other financing arrangement only when it is beneficial to do so.

Ministries generally indicated that MBS had issued instructions that most IT assets be leased. They stated that they were adhering to those instructions.

Ministries also indicated that they would consult and work with MBS to ensure that value for money is received in their future IT equipment leases.

Recommendation

To help ensure that information technology (IT) acquisitions are financed in an economical manner, as required by Management Board of Cabinet directive, Management Board Secretariat should:

- **formally assess the desirability and cost-effectiveness of leasing IT equipment in comparison to other forms of financing or purchasing; and**
- **follow a competitive process when renewing its standing agreement for lease-financing services.**

3.12

Management Board Response

Leasing was recommended and endorsed in 1998 as a best practice by the Industry Sector Panel (comprising representatives from leading private sector IT practitioners, IT industry associations, the broader public sector and academia), which provided advice to the government during the strategy development process. Leasing as a best practice was subsequently incorporated into Management Board Secretariat's (MBS) submission to the Management Board of Cabinet for approval for the Information and Information Technology Strategy. However, in order to ensure that this continues to be an appropriate strategy, MBS will periodically reassess the advantages and cost-effectiveness of leasing and alternate models of financing IT equipment, including desktop computers, in relation to supporting the Information and Information Technology Strategy.

In that context, MBS will undertake a competitive process to establish a new standing agreement for lease-financing services. However, it is important to note that the existing MBS leasing agreement was extended for an additional year in the context of a planned request for proposal (RFP) for desktop equipment and services and to ensure that a leasing vendor was available to allow ministries to finance equipment acquisitions to meet critical requirements.

MANAGING MOVABLE ASSETS

In order to safeguard ministry investments in all movable assets, Management Board of Cabinet directives require ministries to establish and maintain appropriate systems of internal control to ensure the effective management and security of assets. Requirements of an effective system include:

- clear definitions of movable assets, including threshold amounts above which movable assets should be tracked, and a permanent record of assets by location;
- identification of specific security requirements;
- physical verification of assets at least once every four years;
- identification and follow-up of missing or underutilized items; and
- clearly assigned accountability and responsibility.

All five of the ministries we audited had maintained a centralized movable asset tracking system in the past. However we were advised by three of the ministries that they had discontinued the use of these systems as a result of administrative downsizing. In these cases, individual ministry branches were subsequently expected to track and account for the movable assets assigned to them. The other two ministries continued to maintain their centralized movable asset tracking systems, although individual ministry branches were responsible for maintaining the accuracy of the information on these systems.

Our review of these systems for non-IT movable assets indicated that the individual ministry branches either did not track these assets at all, or, if the branches did track them, the asset listings were inaccurate. As a result, the ministries were not in a position to determine non-IT movable assets on hand or the extent of missing or underutilized items.

With the onset of concerns about Y2K, ministries recognized a need to more effectively monitor their IT equipment, and as a result, the majority of them again began to track their IT equipment centrally in 1999. We tested the accuracy of the IT asset listings for the items that were tracked and found that these listings were generally accurate and complete. However, we did note some omissions from the ministries' tracking of IT equipment. For example, IT equipment that was not connected to a ministry's network, ministry-owned equipment and unassigned equipment were often not tracked at all.

However, given that the ministries only started to again track most of their IT equipment as of 1999, they were generally unable to determine the extent of missing or underutilized items prior to that time. Only as leases expired or were otherwise terminated and the leased equipment had to be returned did the extent of missing equipment become clear. For example, our review of a sample of lease expirations at two ministries indicated the following missing items:

Missing Leased Equipment

Ministry of Education			
Type of Equipment	**Total Units Leased**	**Units Missing**	**Percentage of Units Missing**
Desktop Computers	1,638	75	4.6
Notebook Computers	290	81	27.9
Monitors	1,639	74	4.5
Printers	133	19	14.3

Source: Ministry of Education data

Ministry of Solicitor General			
Type of Equipment	**Total Units Leased**	**Units Missing**	**Percentage of Units Missing**
Desktop Computers	2,274	54	2.4
Notebook Computers	538	76	14.1
Servers	18	1	5.6

Source: Ministry of the Solicitor General data

Based on our audit work, we recommended in the individual reports to the ministries we audited, that, to help ensure that all movable assets are managed efficiently, effectively and economically, the ministries should:

- identify and maintain up-to-date records of all owned and leased movable assets;
- periodically verify the existence of all movable assets; and

- identify missing or underutilized items on a timely basis and take any necessary corrective action.

Ministries agreed that asset records should be maintained and periodically verified for completeness and accuracy. They also indicated that the introduction of the government's Integrated Financial Information System will provide a cost-effective solution for this issue.

SAFEGUARDING MOVABLE ASSETS

In March 1998, Management Board of Cabinet issued an Information and Information Technology Security Directive that requires all IT resources be identified and assigned to an appropriate manager for accountability purposes, a security plan be maintained and a periodic review of the plan be conducted.

Three of the ministries we audited had a movable asset security policy or guideline in place that provided ministry staff with information on how to ensure the physical security of their assets. The other two ministries did not have a formal security plan or documented security policies.

We also noted a number of common security deficiencies as follows:

- In a number of cases, access doors to ministry offices did not have locks and therefore could not be secured. In some cases where doors had locks, they were continuously propped open, which defeated the purpose of the locks.
- When employees leave a ministry they must complete a clearance certificate to indicate that any ministry assets assigned to them have been returned. However, we found that these forms were often not completed or not submitted. Furthermore, even when they were submitted as required, the forms were designed in a way that made it unclear as to whether or not all assigned assets had been returned.

Based on our audit work, we recommended in the individual reports to the ministries we audited that, to help safeguard their assets, the ministries should:

- implement an appropriate security plan as envisioned by the Management Board Information and Information Technology Security Directive; and
- ensure that employees leaving a ministry return all assigned movable assets and that such returns are appropriately documented.

Where specific security deficiencies were identified, the ministries agreed to take the necessary corrective action. In one case, a ministry indicated it had already done so. The ministries also indicated that they would implement the necessary policies and procedures to ensure that all assigned movable assets are returned when an employee leaves.

SURPLUS MOVABLE ASSETS

With the exception of motor vehicles that are disposed of by the Ministry of Transportation, the MBS Shared Service Bureau is to dispose of all ministry movable assets by invitational tender or auction. In addition, under certain circumstances, computer equipment may be donated to schools and libraries under a program sponsored by the Ministry of Education, Industry Canada and private sector partners.

In light of the current freeze on purchasing furniture and the predominance of leasing information technology assets, the amount of assets surplused during the last several years is not thought to be significant. As a result, we focused our examination on the Ministry of Transportation's procedures for disposing of surplus vehicles.

DISPOSAL OF SURPLUS VEHICLES

During calendar year 1999, approximately 2,400 government vehicles and other pieces of equipment were disposed of, generating gross proceeds of $4.4 million. Through a competitive process undertaken in 1996, the Ministry of Transportation retained the services of an auction group to dispose of the vehicles. Under the terms of its agreement, the auction group may dispose of vehicles through wholesale or public auction or salvage tender. However, in practice, most vehicles are disposed of by public auction, as required by current ministry policy.

After the completion of each auction, a summary report is to be sent to the Ministry of Transportation detailing the sale price for each vehicle and the related commission, clean-up and transportation costs as well as any other miscellaneous expenses. We reviewed a sample of vehicle disposals and summary auction reports and noted the following:

- We found that in 1999, 116 vehicles were sold for less than the expenses incurred and charged for their sale. For example, a 1984 Chevrolet Celebrity sold for $24 while the expenses charged were $265, resulting in the Ministry owing the auction group $241 for the vehicle's disposal.

  Ministry staff advised us that the auction group had agreed to not charge expenses in excess of sales proceeds. However this practice was not being enforced. As a result of our audit, the Ministry has requested and received $41,000 from the auction group for 314 vehicles and equipment sales where expenses exceeded sales proceeds, some dating back to 1996.

- Although we noted that ministries are exempt from paying GST, nevertheless the Ministry paid $42,700 for GST on auction-related expenditures.

- In 1999, the auction group also charged over $15,000 in miscellaneous expenses. The Ministry was unable to determine the nature or validity of these charges.

We also found that the Ministry of Transportation did not ensure that all vehicles sent to the auction group were sold and reported as sold on a timely basis. In that regard we noted that, although the Ministry's fleet management system is capable of producing reports identifying the number of vehicles sent to auction but not yet reported as sold, this function was not used.

We requested this report and found that vehicles sent to the auction group as long ago as 1997 had not yet been reported as sold by March 2000. Further we noted a risk that the vehicles may have been sold and the proceeds not remitted to the Ministry.

In addition, under the terms of its agreement, the auction group is to remit the net proceeds of all sales to the Ministry within 15 days of an auction. However, we reviewed a number of auction reports and found that proceeds were often received late, ranging from 5 months to 21 months after the date of the auction.

As a result of our audit work in this area, we recommended that, to receive fair and timely value for vehicles disposed of, the Ministry of Transportation should ensure that:

- expenses incurred for disposals, in accordance with the terms of the disposal agreement, do not exceed sales proceeds and exclude GST;
- vehicles sent to auction but not reported sold within a reasonable period of time receive periodic follow-up; and
- net proceeds are received promptly, in accordance with the terms of the disposal agreement.

The Ministry agreed with the recommendation and acknowledged that there is value in increasing the level of contract monitoring. The Ministry intends to develop and implement additional administrative procedures for monitoring to ensure the timeliness of vehicle disposal and remittance of proceeds, in accordance with contract terms.