

Your Committee believes that all departments should know that Parliament has under the provisions of the Financial Administration Act, a serious mandate to control public expenditures; to insist that funds are applied for the purpose authorized by Parliament; and to ensure that payments for goods received, or services rendered prior to the end of the fiscal year, are charged to the appropriate accounts for that fiscal year.

PARAGRAPH 53—Loss of public property at international philatelic exhibition. (See *Minutes of Proceedings and Evidence, Issues Nos. 22 and 24, dated April 17 and 29, 1975*).

In May 1973, the Post Office Department participated in an international philatelic exhibition in Munich, West Germany. It was discovered at the end of the exhibition that philatelic items with an estimated value of \$62,000 and projection equipment on loan from Information Canada valued at \$1,000 had disappeared.

A review committee set up by the Post Office Department found negligence and carelessness on the part of the employees involved.

After a review of this loss, the Post Office Department recommended that no legal action be taken by the Canadian authorities against the Exhibition Management or the German postal authorities; that the legal action regarding the audio visual equipment be continued; and that the management of the Post Office Department clearly define the role and responsibilities of the various branches associated with international exhibitions.

Your Committee strongly endorses these recommendations and stresses the importance of sending only competent, trained and experienced staff to these exhibitions.

PARAGRAPH 62—Post Office retail activities. (See *Minutes of Proceedings and Evidence, Issue No. 24, dated April 29, 1975*).

On October 13, 1966, in its Fifth Report to the House, the Public Accounts Committee stated that:

A government department should not initiate or take any action that is not authorized by Parliament even though it contemplates that Parliament may take action to provide that authority. It considers that the actions of government departments must be limited at all times to the legislative authority existing at the time the action is taken.

The Post Office Department has continued the practice of selling various non-postal items to the public, although it has not as yet received Parliamentary authority to do so. Furthermore a suitable accounting system to determine the profitability of these items had not been established, although it is stated that one is being developed.

Your Committee concludes that the Post Office Department has been acting illegally in carrying on the sale of merchandise without the necessary authorization by Parliament.

Your Committee recommends that the Post Office Department obtain the necessary authority to carry on such activity.

PARAGRAPH 63—Increased costs due to delay in awarding contract. (See *Minutes of Proceedings and Evidence, Issue No. 24, dated April 29, 1975*).

In February 1973, the Post Office Department opened tenders for 271 special case and table units used in mail sorting. As a result of a delay in awarding the contract, and a failure to follow proper contracting procedures, the Post Office Department incurred an increased cost of \$21,950.

The company which submitted the lowest bid, withdrew its offer, after the Post Office Department had determined that it could not meet delivery requirements.

The second lowest bidder had submitted an original bid of \$168 per unit. However they had stated that this bid was good for sixty days only, and as a result the bidder increased the bid price to \$200 per unit in June 1973 and to \$230 per unit in September 1973. The Post Office Department considered this last increase unacceptable and terminated negotiations.

Tenders were then re-invited from other potential suppliers and the final contract was awarded in January 1974, almost a year later, for 271 units at a unit cost of \$249. It resulted in an increased cost of \$21,950.

The Committee concluded that:

1. No deposit was required from the firms making the bids.
2. No preliminary investigation was made to see if the companies submitting tenders were able to meet their commitments.
3. The second lowest bidder had stipulated that his price was only available for 60 days.
4. Although the second lowest bidder had increased its price, the Post Office had not formally accepted that price and had to get the approval of Treasury Board for entering into this contract, but because of the time sequence and the increased cost of materials and labour, this company stipulated another 15% increase in their tender and at this point negotiations were terminated.

Your Committee is of the opinion that the Post Office Department must accelerate its procedures for the approval of contracts, and keep its lists of potential suppliers up to date so that it is aware of which firms have the capacity to meet its contract requirements. Delays in seeking Treasury Board approval under the tender system can result in increased costs.

#### VETERANS AFFAIRS DEPARTMENT

PARAGRAPH 68—Cancellation of debts arising from overpayments of allowances. (See *Minutes of Proceedings and Evidence, Issue No. 23, dated April 24, 1975*).