



April 20, 2004

Interim Report
to the
Treasury Board Secretariat of Canada

Management Review
of the
Financial Position of the Canadian Firearms
Program and the Canada Firearms Centre
and Options for the Future

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1. Introduction

1.1. Background

In light of the Government's decision to initiate a review of the Firearms Program, led by the Honourable Albina Guarnieri, Minister of State for Emergency Preparedness, and the potential changes to the Program that will result from this review, the Treasury Board Secretariat, in its capacity as the Government's Management Board, decided to undertake a comprehensive assessment of the financial position of the Canadian Firearms Program and the Canada Firearms Centre, as well as the proposed Alternative Service Delivery¹ (ASD) model and the IM/IT solution envisaged under the ASD option. The Treasury Board Secretariat instructed that the assessment focus on the current situation with recommendations on future action.

1.2. Objectives of the Review

The objectives of the review, with specific attention to both the financial management and information management aspects of the program, are to:

- Identify cost projections for the registry/licencing system under various change scenarios within the context of the current Firearms Program Review;
- Identify cost and internal and external program delivery implications of potential service delivery options including the current service delivery arrangement with EDS; and
- Provide a timeframe for implementing the recommendations.

1.3. Terms of Reference

This report is to focus on the financial aspects of the review of the Firearms Program, but it incorporates the principal findings resulting from work undertaken through a separate contract that focused on the information management aspects of the Program. The Terms of Reference for both reviews contracted by the Treasury Board Secretariat are as follows:

- 1) The review will build upon and incorporate the results of previous studies, including: AG Report of December 2002; Hession Report 2003; Government Response to Hession Report; Relevant TB submissions and decisions; Gartner Report 2004; internal CAFC assessment of EDS 2004; Justice legal opinion of February 2004; contract provisions - EDS and Team

¹ Alternative Service Delivery, broadly known in government as ASD, is defined as 1) establishing the appropriate organizational forms within departments, outside traditional departmental structures or outside the public sector, to improve organizational performance; and, 2) bringing together organizations from across government, between levels of governments, or across sectors, through partnerships (for example, "single windows," co locations, or clustering of services to citizens) to provide more seamless and citizen-centred services. In the Firearms program, the proposal to deliver parts of the service to the public through a contracted service provider instead of by public servants, meets the definition of ASD.

- Centra/CGI; Terms of Reference and findings of Minister Guarnieri's Program Review; and other relevant documents (e.g., legislation, mandate of the CAFC).
- 2) The review will gather information and views of officials in TBS, Public Safety and Emergency Preparedness Department, Canada Firearms Centre, Public Works and Government Services, Justice Department and other officials, if required.
 - 3) The analysis and validation of document findings and interviews will focus on the examination and assessment of program, contract and financial management, with specific attention to:
 - a) Assessment of Gartner Report findings;
 - b) Assessment of internal EDS review findings;
 - c) Review and assessment of CAFC's current funding profile along with current and potential financial needs, challenges and risks of the CAFC over the next five years;
 - d) Risk assessment of PSEP portfolio's capacity for internal reallocation to address potential resource pressures; and
 - e) Options analysis (e.g., maintaining EDS contract, legislative and regulatory amendments, approach to "solution" once this environment is stabilized) contingency plans and recommendations for the future, supported by a business case assessment of program costs and benefits within the context of the Program Review preliminary findings.

1.4. Canada Firearms Centre

In April 2003, the Canada Firearms Centre (CAFC) became an independent department and was transferred from the Department of Justice to report to the Solicitor General, within the Solicitor General's portfolio. In December 2003, the Department of Public Safety and Emergency Preparedness (PSEP), was created with the Minister also being named Minister responsible for the Canada Firearms Centre.

The CAFC is responsible for the administration of the firearms registration and licensing system pursuant to the Act. This responsibility involves the conduct of the following activities:

- Licensing for all firearms owners including individuals and businesses;
- Monitoring of public safety risks through continuous eligibility checks of all firearms owners;
- Firearms-related education and public awareness;
- Issuance of public agency numbers and recording of public agency firearms' inventory;
- Registration and tracking of all firearms through the control of business and private firearms transfers;
- Issuance of authorizations to carry handguns and to transport restricted and prohibited firearms;
- Control of firearms imports and exports;
- Approval of shooting clubs and shooting ranges;

- Approval of gun shows (not yet in force);
- Maintenance of records related to firearm owners and to firearms, in accordance with applicable privacy and access to information legislation; and
- Program administration.

2. Executive Summary

The Canadian Firearms Centre faces difficult decisions in determining a way forward for the delivery of their program. Their legislative mandate, originally set in *The Firearms Act* in 1997, has been unstable since then. Difficulties in the program's launch, including low levels of application by firearms owners, high rates of error on applications, and adjustments to the program after being launched, resulted in very high system development costs for the first few years. As a result, the Government introduced legislation to simplify and streamline the program, and in parallel, the Centre entered into a contract in 2001 with Team Centra to develop an Alternative Service Delivery (ASD) solution comprising a new IT system to respond to the yet-to-be-approved administrative rules, as well as to take over most aspects of the operation of the Program's Central Processing Site in Miramichi, New Brunswick. The original plan was to enact the new legislation (Bill C-10A), in January 2003, at which time the new Team Centra solution, CFIS II, would be ready to commence its operational phase, which under the contract was to run for a term of fifteen years.

The plans as laid out above did not come to pass. Team Centra's contract had to be substantially amended due to the complexity of the actual system requirement being greater than what had been revealed in the RFP, plus the legislation was not passed by Parliament as proposed, and was substantially delayed. When finally approved by both Houses of Parliament, the legislation was substantially changed from what had been specified in Team Centra's contract, resulting in the need for further multi-million dollar changes to align the new system with the legislation, as passed.

exemption/exception 18(b)
← Access to Information Act / Loi sur l'accès à l'information →
Coming to closure is further complicated by the Government's recent decision to conduct a Ministerial Review of the Firearms Program, which is currently underway. While the outcome of the review is expected soon, experience suggests that it is too risky to proceed with changes on the basis of the presumption of Parliamentary approval.

The report also examines the financial and technology considerations relating to the two solutions: namely, (a) the Centre's original CFIS I system which is currently maintained on a contract by EDS (which must soon be re-tendered); or (b) using the new system, CFIS II, developed by Team Centra.

← exemption/exception 18(b) / Access to Information Act / Loi sur l'accès à l'information →

A decision to fast-track the CFIS II implementation would reduce the cost of this option considerably; unnecessary delay costs would be avoided and there would be no contract termination costs. As for CFIS I, the costs used in the comparison are dependent on a number of assumptions and estimates, which have yet to be confirmed. For example, continuing with CFIS I will certainly result in substantial further investments in technology, as CFIS I is assessed as being not very flexible and is not expected to age well. Also, extensive capital replacement and software upgrades are planned in future years, for which the cost estimates are preliminary at this stage.

Adopting the Team Centra approach requires the correction of several major deviations between the original solution tendered in the contract and what would now be required to be consistent with either Bill C-68 or Bill C-10A. The Team Centra solution must also be modified to respond to changing RCMP security requirements, additional users and service sites, and infrastructure investments to support the Centre's establishment as an independent department. Again, cost estimates for these changes are "indicative" at this stage.



exemption/exception 18(b)
Access to Information Act
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exemption/exception 20(1)(c)(d)
Access to Information Act
Loi sur l'accès à l'information



On the issue of the ASD portion of the Centra contract, namely the outsourcing of the call centre and other administrative tasks in Miramichi, _____ 18(b); 20(1)(c)(d) _____

The report examines each of the concerns management has articulated, and concludes that while each concern is valid, attention should first be given to seeing if they can be addressed within the contract with Team Centra rather than abandoning the notion. One issue of considerable concern is the desire to have those CPS employees that deal directly with clients on the phone, be public servants. If the underlying issues on this point cannot be resolved, it is likely that Team Centra would consider an appropriate change to the contract arrangement. It is noteworthy that during the one year study period granted by the Treasury Board to the Centre to re-examine the ASD issue, that most of the term employees in Miramichi will have become indeterminate, thereby adding a further cost for work force adjustment (WFA) to the ASD arrangement. It is unlikely that this cost would be significant when considered over the full fifteen years of the proposed contractual arrangement, however, as a one time up-front cost in a program that has been plagued with cost over-runs, it is unlikely to be immaterial. The Centre has not provided an estimate of these WFA costs; however, the prospect of incurring WFA costs not originally envisaged underlines the need to move quickly to make the ASD solution work.

² Commercial-off-the-Shelf

The report also examines the difficulty of deciding a way forward given the entanglement of separate but related issues. In particular, the report argues that excessive attention has been given to date on the issue of the features and costs of the two system alternatives, even though the costs are not significantly different on the basis of the assumptions that the Centre has made about future events and costs. The report argues that the premier and most critical decision is to close on the issue of which legislative base the program will operate with for the tactical time-frame: the present Bill C-68 base as reflected in the existing CFIS I system; Bill C-10A as proposed, as reflected in the CFIS II system developed by Centra, but not passed by Parliament; Bill C-10A as passed but not enacted, for which no matching technology solution exists; or, Bill C-10A with additional yet-to-be-passed legislative changes based on the outcome of the current Ministerial Review.

The report concludes that based on experience with both C-68 and C-10A, it would be unwise to speculate on the implementation of any aspects of the current Ministerial Review, or to make any investment in system pre-positioning for measures that have not yet been passed into law. Any proposals for change should therefore be held in abeyance, with the Government resisting making any further changes until after the governance arrangements, technology solution and business processes have stabilized and the costs have been brought under control. For the Centre to succeed in the long run, it is essential that the alignment be tightened between the policy and legislation on the one hand, and the program and system design on the other. The situation of Team Centra developing a system, according to Government specification, that upon completion does not align with the legislation illustrates the seriousness of the disconnect.

← exemption/exception 18(b)

Access to Information Act

Loi sur l'accès à l'information

exemption/exception 20(1)(c)(d)

Access to Information Act

Loi sur l'accès à l'information

The Centre will also need much stronger financial management and IT management capacity and depth to be successful. The Centre cites considerable progress that has been made in building this capacity, but recognizes that further development and seasoning in these areas is required. In this regard, there would be major advantages in positioning the Centre organizationally within a department that already has expertise in these domains, and there may be some modest cost savings associated with avoiding duplication of corporate systems, electronic mail systems, and other corporate components if the Centre were able to use those of another well-established departmental structure. The report recommends that the decision to establish the Centre as a stand-alone department should be revisited, and that the benefits of merging the Centre with another department be assessed against the disadvantage of the disruption that would be involved.

In summary, the report concludes that the Ministerial Review should be completed as quickly as possible and the results passed to the Minister responsible for consideration. However, given the urgency to make decisions in the near term, there should be no further changes contemplated to the legislation until the governance arrangements, technology solution and business processes have stabilized and costs have been brought under control. The most prudent approach would be to adopt Bill C-10A, as passed, as the legislative base.

← exemption/exception 18(b), 20(1)(c)(d)

Access to Information Act

Loi sur l'accès à l'information

← exemption/exception 18(b), 20(1)(c)(d)
Access to Information Act →
Loi sur l'accès à l'information →

3. Budget and Reference Levels

3.1. Canadian Firearms Centre Budget

The CAFC is being listed for the first time as a separate department in 2004-05 Main Estimates and is in the course of finalizing its own stand-alone departmental Report on Plans and Priorities.

The CAFC employed a staff complement of 345 as at February 9, 2004, made up of 176 indeterminate, 132 term, eight casual, 23 secondments and six interchange employees, which includes nine approved EX and EX equivalent positions in addition to the Commissioner, who is an Order in Council appointee. Forecast expenditures for 2003-04 in the most recent departmental financial report dated March 23, 2004, were as follows:

Table 1: 2003-04 CAFC Budget

<u>Responsibility Centre</u>	<u>Forecast (\$000)</u>	<u>%</u>	<u>FTEs</u>	<u>%</u>
2003-04 Budget	115,855.0	100.0		
Commissioner's Office	459.0	0.4	3	0.9
Chief Operating Officer				
COO's Office	358.0	0.3	3	0.9
Information Technology	10,674.1	9.2		
Operations Services Support	40,855.8	35.3	7	2.0
Licencing and Registration	20,180.7	17.4	54	15.7
Field Services	22,991.0	19.8	221	64.1
Finance and Administration	2,745.4	2.4	20	5.8
Policy and Consultations	1,348.6	1.2	12	3.5
Communications & Client Svcs';	1,531.7	1.3	14	4.1
Human Resources	786.3	0.7	6	1.7
Legal Services	830.5	0.7	3	0.9
<i>Forecast Surplus</i>	<i>13,093.9</i>	<i>11.3</i>		
Totals	115,855.0	100.0	345	100.0

No formal update of this financial report by organizational unit has been issued, but the CAFC indicates that the lapse is growing, as shown above, and is expected to come in at approximately \$13 million. A breakdown of the forecast by expenditure type, based on the end-January financial report, is shown below.

Table 2: 2003-04 CAFC Allocation by Expenditure Type

Component	Forecast	%
	\$000	
Salary and Benefits	25,235.0	21.8
Travel and Relocation	1,570.0	1.4
Training and Conferences	170.2	0.1
Communications, Printing, etc.	4,176.3	3.6
Contracts & Professional Services	51,592.0	44.5
Material, Utilities & Supplies	4,368.8	3.8
Grants & Contributions	15,648.8	13.5
Forecast Surplus	13,093.9	11.3
Total	115,855.0	100.0

Given the large percentage of resources allocated to salary and benefits, contracts and grants and contributions (contractual relationships with Provinces for Chief Firearms Officer offices), there is almost no management discretion remaining for the allocation or reallocation of financial resources within the overall Firearms Program. Thus, there is limited financial flexibility against which to manage changing priorities or unforeseen financial pressures within the Program.

3.2. Future Year Reference Levels

The Reference Levels for the upcoming three years are set out below:

	\$ Million			* exemption/exception ^{18(b), 20(1)(c)(d)} Access to Information Act Loi sur l'accès à l'information
	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	
Reference Level	100.3	*	*	

Regardless of which program delivery option is decided for the future, additional resources will be required over and above existing Reference Levels.

4. Status and Options

4.1. History of the Firearms Centre's IT Systems

4.1.1. CFIS³ I – The original system

The Department of Justice received Effective Project Approval for the new Firearms Registration System from Treasury Board in May 1998. Total Program funding of about \$544 million was approved for the period 1995-96 to 2002-03. The project cost component contained within the \$544 million was approximately \$168.5M of which \$94.6M was identified for the development, implementation and completion of the information technology infrastructure, including enhancements, interfaces with CPIC systems, and interface with the Central Processing Site at Miramichi, New Brunswick. The CFIS-I was to be designed to meet the requirements of the *Firearms Act (Bill C-68)* and associated Regulations, which subsequently came into effect on December 1, 1998.

The initial approach was to contract for the construction, implementation and support of an in-house solution and two contracts dated November 28, 1997, were signed with SHL Systemhouse Inc. and EDS Canada Limited. (SHL was subsequently acquired in 1999 by EDS). These suppliers constructed the initial CFIS system according to specifications provided by the Firearms Centre and it entered service in 1999 providing the initial capabilities required for those portions of the legislation that first became effective. Under the legislation, the licencing and registration requirements for all firearms and owners was to be completed by January 2003, at which time ongoing operations were expected to be in place. In anticipation of this, the work under the EDS contract was scheduled to be completed by June 2003.

Early operation of the program was challenged by low levels of application, high error rates, and frequent adjustments to various aspects of the program. These in turn caused changes and even partial re-writes of the original CFIS I system, and many business process changes. As a result, by January 2001, the cost for development, implementation and support interfaces and infrastructure had been revised upwards through contract amendments to \$144.2 million. In late 2000, the decision was taken to introduce legislation to simplify key aspects of the firearms program, and to issue a new contract to have a new system built and major parts of the service delivery provided by a service provider (described further below). As a result of delays with this approach, also discussed below, PWGSC received Treasury Board approval for a contract amendment to extend the EDS contract to March 31, 2004 to allow support for CFIS I to continue.

exemption/exception 18(b), 20(1)(c)(d)

← Access to Information Act
Loi sur l'accès à l'information →

³ The CFRS I and CFRS II systems have recently been renamed CFIS I and CFIS II. Generally, we have used the new designations but there may still be instances of the older names in this report.

4.1.2. CFIS II – The New System and Accompanying ASD Model

In late 2000, as mentioned above, upon completion of a detailed review of the program, its progress to date, legislated deadlines for completion of licensing and registration, and continued growth in the cost of the IT and program delivery involved, it was decided to change approaches. Sweeping changes to streamline many aspects of the program were designed. Projections were made that, based on these simplifications, a new, simpler system could be built on newer technology for modest cost that would operate at lower cost than CFIS I. Further, it was determined that a private sector supplier, using such a new system of their own design but respecting new, streamlined legislative provisions, could deliver key parts of the program more cost effectively than could be done in-house.

As a consequence of this strategy, legislation changes to support simplification were drafted and set forth in Bill C-10A, and in parallel, a contract was signed, subsequent to a competitive RFP, with CGI Information Systems and Management Consultants Inc. and BDP Business Data Services Limited, a joint venture referred to as Team Centra, for an alternative service delivery (ASD) solution. Team Centra's contract called for them to design business processes and to build a new system to take over the operation of the program, but according to the provisions of Bill C-10A, which was working its way through the legislative process. The CFIS I system, and the contract with EDS to maintain it, would continue until the implementation of the new system.

The ASD solution was well thought out, and structured to include those activities that were not considered at the time by CAFC management to be core business. The Centres' core business was considered to include:

- 1) **Program Governance** including policy, legal services, client relations, standards setting and import/export issues;
- 2) **Program Accountability** including financial management, operations and ASD management, human resources management, privacy and security of information, and communications; and
- 3) **Matters of Public Safety** including new license applications and initial risk assessment, firearms registration, continuous monitoring of risk indicators, and ongoing audits.

Those activities identified by the Firearms Centre for delivery under ASD arrangements included:

- 1) **IT System Development** including the design, development and implementation of the IT solution to support the Firearms Program;
- 2) **IT System Administration** including ongoing system administration and maintenance and in-house IT utilities;
- 3) **Call Centre, Application and Payment Processing and Central Processing Administration**, which includes the operation of the Central Processing Site at Miramichi, New Brunswick.

Under the Team Centra contract, the original cost estimate for a 15-year ASD solution was \$290.76 million (excluding GST), comprised of \$32.27 million for the first phase, the Solution Realization Phase (essentially the design and construction of the new system and related business processes), \$231.9 million for the second phase, which was the ongoing operation of the system



and administrative functions performed at the Central Processing Site for a fifteen-year period. An additional \$26.59 million was also included to cover enhancements and changes to the system over the life of the contract.

The first phase was to be completed taking into account changes to the Firearms Program that were envisaged under Bill C-10A. Payment for this phase was to be made only after system certification by the Government and implementation. Once the system solution had been developed, tested, accepted and certified, the second phase, operation of the system and assumption of CPS responsibilities by Team Centra, was to begin. The plan was for CFIS I and operation of the CPS to be replaced by the Team Centra solution with a Service Effective Date of January 9, 2003.

The plans to replace CFIS I with the new system and accompanying service provision by Team Centra have not been realized. The system's construction phase took longer than expected due to the actual complexity being greater than what was implied by the RFP, and, most importantly, the provisions of Bill C10A as drafted did not survive the consultation process resulting in actual legislation that does not match what Team Centra was contracted to construct in the new CFIS II system.

The contract gives Team Centra ownership of the IT infrastructure; however, there is a clause that provides for the Government to purchase this, including all hardware and software exclusively dedicated to the project, in the event of termination either for reasons of convenience or default, or at contract expiry. The price is to be set at fair market value by an independent third party evaluator that would be acceptable to both parties.

The EDS solution has come to be identified as CFIS I and the Team Centra Solution as CFIS Renewal or CFIS II.

4.2. Status and Options for the Future

The present status is that the conversion to CFIS II is on hold, as is the assumption of service delivery at the CPS by Team Centra. The gaps between Team Centra's CFIS II system and what would be required to operate under Bill C-10A have been identified and roughly costed, as have other enhancements and changes that have become necessary.

← exemption/exception 18(b), 20(1)(c)(d)
Access to Information Act
Loi sur l'accès à l'information →

Accordingly, there are three options for the future, two of which are under serious consideration by CAFC management:

- 1) **Option A:** Pursue the Team Centra solution in its entirety including the ASD model and continue to operate the Program in the interim through the extension of the existing CFIS I system until such time as the Service Effective Date occurs and a successful program handover from CFIS I to Team Centra and CFIS II is possible;
- 2) **Option B:** Terminate the Team Centra Contract for convenience, and continue to operate the Program using CFIS I, and hold an open mind regarding the choice of an IT solution for the longer term, once the legislative and regulatory environment have fully stabilized. This

could include continuing to operate CFIS I indefinitely or eventually developing a replacement.

- 3) **Option A Modified.** Abandon the ASD portion of the Team Centra solution, and operate the CPS in-house as at present, but adopt the balance of the Team Centra solution and have them operate it for fifteen years as per the contract.



exemption/exception 18(b), 20(1)(c)(d)
Access to Information Act
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4.3. Contracts and Related Costs

4.3.1. The EDS Contract.

The development of CFIS I by EDS experienced time delays and cost escalations, most of which would appear to have been driven by ongoing changes in the requirement. As noted earlier, by

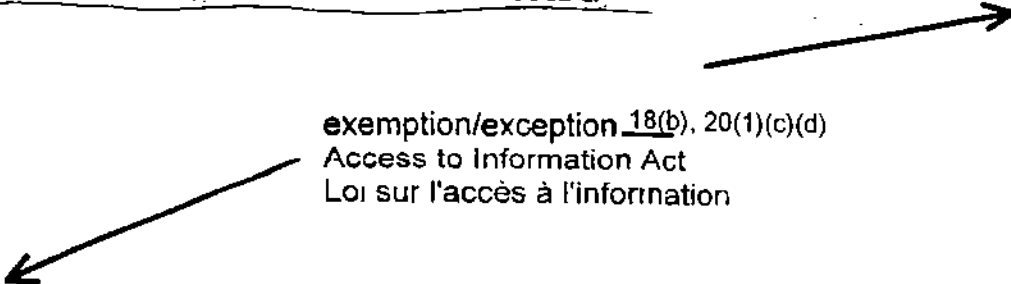
January 2003, the cost had risen to \$144.2 million. The Service Effective Date for the Team Centra solution had not been realized, again through delays brought about in large part by amendments to the original Firearms Act that were brought forward under Bill C-10A, and through the provision of greater clarification to Team Centra regarding the requirement. Therefore, the Program was not to the point where a technology change-over could be made to the Team Centra solution. By this time; however, the EDS platform had become stable and capable of supporting the ongoing Program, as long as changes to the Program were modest. Hence, the decision was taken to extend the EDS contract to March 31, 2004, ---18(b)----- and to continue operations using the CFIS I system, with the expectation that during the upcoming year the Bill C-10A Regulations would have been made and that the Team Centra solution would have been completed and certified. -----18(b)-----

While Bill C-10A has passed, the associated Regulations, which were tabled in Parliament in June 2003, continue to be held in abeyance pending the outcome of the current Ministerial Review of the Program. In the meantime, the CFIS I system is supporting the Program under the status quo, with no major concerns being expressed by CAFC management over system performance in the near term.



exemption/exception 18(b), 20(1)(c)(d)
Access to Information Act
Loi sur l'accès à l'information

As noted earlier, the EDS contract for the maintenance of the automated system (which excludes licensed software, equipment and network maintenance), was to expire on March 31, 2004. However, as an interim measure, the contract has been extended by PWGSC for a two month period to May 31, 2004. Spending under the contract will be increased by \$1.3 million for system operations for the next two months. If the CAFC wishes to support the Program using CFIS I until CFIS II is ready, it is generally understood that a new tender would have to be called for the ongoing operation and maintenance of CFIS I.



exemption/exception 18(b), 20(1)(c)(d)
Access to Information Act
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An assessment of the five-year costs associated with terminating the Team Centra contract for convenience and continuing with the EDS solution has been completed by CAFC and is set out in Table 3. The footnotes to this table are important.

Table 3: Five Year Cost Estimate to Terminate the Team Centra Contract and Support the Program by Continuing with CFIS I

Item	Prior Years	
(1) Development, operations & maint. costs to 31 Mar 04.	152.9	
(3) On-going system development & enhancement	-	
(2) On-going system maintenance		
a. EDS contract	-	
b. RCMP interface and others		
(3) OSSD	-	
(7) Ministerial review.	-	
(8) Terminate Team Centra.		
(9) Total	152.9	1.0

exemption/exception 18(b), 20(1)(c)(d)
Access to Information Act
Loi sur l'accès à l'information

Notes:

exemption/exception 18(b), 20(1)(c)(d)
Access to Information Act
Loi sur l'accès à l'information

4.3.2. The Team Centra Contract

The initial development of the Team Centra solution was put on a very fast track, but over time it began to experience time delays and cost escalations, much of which would appear to have been driven by delays in program implementation, a clearer definition of the requirement beyond that set out in Annex A and relevant Appendices of the RFP, as well as by numerous ongoing changes to the requirement. As noted earlier, the original cost for Phase I development was established at \$32.27 million; however, the project has since experienced an increase of \$12.7 million due to changes in scope, which has also resulted in \$3.3 million to the ongoing cost of operations. This increase, less a holdback, has been approved by the Treasury Board along with a further \$660,000 for four separate Task Authorizations under the Contract for impact assessments of further possible contract changes.

The contract was to be amended⁴ prior to the end of the 2003-04 fiscal year to reflect the approved change in scope.

exemption/exception 18(b), 20(1)(c)(d)
Access to Information Act
Loi sur l'accès à l'information

⁴ As of the date of this report, we have not received confirmation that this amendment has in fact occurred.

← exemption/exception 18(b), 20(1)(c)(d), 23 →
Access to Information Act
Loi sur l'accès à l'information →

At this point in time, the Service Effective Date for the Team Centra solution is uncertain. The changes brought about by Bill C-10A have still not been implemented and instructions to proceed have been put on hold pending the outcome of the Ministerial Review. Should changes from the Ministerial Review precipitate further amendments to the *Firearms Act* and Regulations, this will cause even further delays and further costs that cannot be quantified without a great deal more information. Passage of further changes to the *Firearms Act* would be at the will of Parliament and it would be speculative to assume quick passage. The CAFC is assuming a Service Effective Date of April 1, 2006 for planning purposes.

← exemption/exception 18(b), 20(1)(c)(d) →
Access to Information Act
Loi sur l'accès à l'information →

As well, as was noted earlier, both the CAFC and Team Centra have acquired a clearer understanding among the many parties involved of the details of the requirement compared to when the original cost estimates were made.

← exemption/exception 18(b), 20(1)(c)(d) →
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The Team Centra contract therefore requires Treasury Board approval to amend the spending ceiling, but further study and negotiations would be required to verify that the costs that the company is asserting to have accrued to date are justified, and if so, to then ascertain the value that could be acknowledged and signed off as legitimate expenses under the contract.

At this point in time, there is no clear indication as to when decisions will be finalized with respect to the outcome of the Ministerial Review. Further Treasury Board approval is required to continue spending against the contract beyond March 31, 2004.

← exemption/exception 18(b), 20(1)(c)(d) →
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Table 4: Estimated Cash Costs of Terminating Team Centra Contract

Item	Prior Years	
(1) Costs accrued to 31 Mar 04	39.6	1
Costs accrued to 2004 FY		
(2) ---s. 23----- re cost of program delay to 31 Mar 04	-	
(3) Liability for Apr 04		
(4) Paid out in 2003-04	-8.8	
(5) Terminate Team Centra contract	-	
Total	30.8	1

exemption/exception 18(b), 20(1)(c)(d)
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Notes:

← exemption/exception 18(b), 20(1)(c)(d)
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Table 5: Forecast Cost of Continued Development of CFIS II
(Assumes IT Portion Only of Centra Contract, with in-house service delivery)

Item	Prior Years	\$ Million CY
Phase 1: Development Costs		
(1) Costs accrued to date	39.6	
(2) Additional development costs	-	
(2) ---s. 23----- re: cost of program delay to 31 Mar 04	-	
(3) Cost of further delay in decision to 31 Mar 06	-	
(4) System development (CFRO interface, infrastructure, CPS, forms redesign re BE C-10A)	-	
(5) System changes deemed out of scope, including long-term CPIC accreditation, CBSA/DFAIT connectivity, financial and audit functionality	-	
(6) Results of Ministerial review	-	
Sub-Total Development	-	
Phase 2: Operating Costs		
(7) - Baseline contract costs	-	
(8) - Ongoing costs arising from additional system development (4&5 above)	-	
(9) - Ongoing costs arising from further out-of-scope and Ministerial changes	-	
(10) Continue using CFRS I	-	
(11) OSSD, ongoing maint and licensing costs	-	
Sub-Total Operating	-	
(12) Total Continuation Costs	39.6	

exemption/exception 18(b), 20(1)(c)(d)
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Notes:

exemption/exception 18(b), 20(1)(c)(d)
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4.3.3. Cost Comparison – CFIS I and CFIS II

The cost comparison over the next five years is shown below in Table 6.

Table 6: Cost Comparison Between CFIS I and CFIS II
(Assumes IT Portion Only of Centra Contract, with in-house service delivery)

Option	2004-05
CFRS I	88.3
CFRS II	58.7
Total Five Year Estimate	29.6

exemption/exception 18(b), 20(1)(c)(d)
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4.4. Understanding the Cost Increases with the Centra Solution

The Team Centra solution has cost more to build than was originally planned, and there are considerable deviations between the Centra solution as built and what will be required when Bill C-10A is enacted. Further, the outlook for annual operating costs has also significantly increased from what was planned. A number of factors have contributed to this situation.

Team Centra's cost to build the CFIS II system rose during the "due diligence" process, which revealed that the actual requirement was considerably more complex than had been estimated, based on the specification. The Government did not make all of the information that it had available to bidders at the time of the RFP, out of concern that too much exposure to the existing system might inhibit bidders from conceiving completely new approaches to the requirement. In particular the "use case" documentation was withheld until after the award of the contract. As well, Team Centra was refused a demonstration of the in-service CFIS I system; again, out of concern that it might unduly influence their design.

Team Centra was not co-located with CAFC during system design and construction. Although the two parties met regularly, the relationship was not sufficiently close for this type of initiative.

----- 20(1)(c)(d) -----

There were also scope increases resulting from changes in the technical approach, some conceived by CAFC, others imposed by changes in RCMP security

requirements, and still others resulting from CAFC's change to departmental status necessitating the enhancement in certain corporate systems.

4.4.1. Changes In Specification Arising from Bill C-10A

To complicate matters further, there were significant aspects relating to the design of the draft C-10A legislation, which were reflected in the specifications for the new system, but did not survive the consultative and legislative process. This means that Centra has built a system that is more reflective of the Government's original notions of program simplification as proposed in Bill C-10A, as tabled, rather than what was actually passed into law. Table 7 summarizes but a few of the significant deviations and is provided for illustration. The Firearms Centre maintains a complete list.

Table 7: Sample Discrepancies between C-10A Outcome and Contract Specifications

Feature	Contract Specification	Bill C-10A Outcome
Licence Renewal on the Internet	Via Internet	Requires paper application due to signatures required
CFO involvement in new licences, or "implicit approval"	New Licences passing risk checks are approved automatically	All new licence applications must be routed via CFOs until they are confident in the integrity of the implicit approval process
Forms for Licence Renewal	Simplified	Simplified forms deleted due to requirement to repeat personal history
Use of Interactive Voice Response for Transactions	Included for certain transactions	Not possible due to additional data requirements
Applicant Photos	Required only for every second renewal	Required with all renewals

-----18(b), 20(1)(c)(d)-----

Further work on those estimates is on hold, and Team Centra has not been authorized to undertake any more work, pending the outcome of the current Ministerial Review of the firearms program, which introduces even more uncertainty. Meanwhile, the Government continues to incur delay cost with the Team Centra solution, thus further increasing the cost of both options.

4.4.2. The Growth of the Centra Contract

CAFC management have cited the escalation in cost of the Centra contract as an indicator of the unsuitability of this approach to meet the program's need. A review of the reasons for the increase in cost, however, reveal that in large measure they are caused by the delays in the legislative process and the Government's failure to maintain congruence between system specifications for the Team Centra solution and the actual legislative requirements of C-10a as

the proposed legislation worked its way through the approval process, and completely new requirements that must now be added to Team Centra's mandate, such as replacing the CFRO⁵ component and providing for certain corporate systems. Any implication that the growth in cost is due to any other cause than doing additional work that has been added, or doing original work over due to changes in need, is inaccurate.



← exemption/exception 18(b), 20(1)(c)(d)
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The table below shows the absolute amount of increases in both one-time costs and ongoing annual costs for the increases arising from various types of changes. These amounts are also shown as a percentage of the original contract values.

Table 8
Centra Contract Cost Increases by Category

← exemption/exception 20(1)(c)(d)
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The following comments on these amounts are relevant:

- **Complexity.** The large one-time cost in due diligence on complexity arises from Team Centra underestimating the complexity of the task during bidding, due in large part to a decision made by management during the RFP process to only provide bidders with high-level information about the existing CFIS I system. The most detailed documents, called "use cases", were not provided until after contract award.

⁵ The CFRO system was developed and is operated and maintained by the RCMP at the expense of CAFC. It is the system that provides firearms-related data to CPIC, and is tightly interfaced to CFIS.

⁶ Determining the full fifteen year value of the contract is difficult. The contract provides for service re-pricing at several points, the supplier is committed to achieving certain price reductions, Economic Price Adjustments (EPAs) will be factored in, and the actual charges will depend on business volumes and the split of transactions across channels (internet, Interactive Voice Response, telephone, and paper).



- **Items Omitted from the RFP.** The largest item here is the re-write of the CFRO system, presently at the RCMP, that acts as the data gateway between CPIC and CFIS. This reflects a change in thinking on the part of the Centre and hence was not in the original RFP.
- **Security Related – RCMP Requirements.** Team Centra and the Centre have received security guidance from the RCMP that results in these costs. Security guidance is in fact guidance, and should usually be challenged before implementation. There is no indication that this significant cost was escalated to executive levels prior to deciding to proceed.
- **Related to Becoming a Department.** This one-time amount related to CAFC becoming a stand-alone department is quite independent of the Firearms Program *per se*. This amount relates to corporate applications and infrastructure that are considered to be required as CAFC moves to assume departmental status.
- **Unsuccessful Simplification.** This item refers to the fact that the RFP reflected an objective the Centre had of reducing the number of sites at which CFIS would be available, and the number of personnel using it, by 20 sites and 170 users. Centre management now considers this objective unattainable, resulting in these cost increases.
- **The Program Changes** arising from Bill C-10A mostly relate to the fact that many of the simplifications in the legislation and regulation that were envisaged when the RFP was issued did not materialize during the legislative process.

← 18(b), 20(1)(c)(d) →

- **Delays and Deferrals.** This amount reflects the approximate increase in contract value arising from various delays and deferrals that have occurred to date. None of these is attributable to Team Centra's performance. Quite the contrary, they are all related to delays in the legislative process.

The growth in value of the Centra contract has been cited as an indicator of the unsuitability of this arrangement for sustaining the Firearms Program. This argument seems weak, considering that almost half the increase in one-time costs results from delays not caused by the contractor, and the other largest contributors are due to items left out of the RFP, items added to the contractor's work, and items that must be re-worked due to the legislative outcome. It is fair to say that when IT work is outsourced that the costs are more visible than when in-sourced, but this is hardly a relevant consideration since there are no scenarios under which CAFC proposes to build an in-house IT capacity.

← exemption/exception 18(b), 20(1)(c)(d) →

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4.5. Comparative Technical Assessment of CFIS I and CFIS II⁷

CFIS I was written from scratch and contains nine times as much source code and more than twice as many database tables as CFIS II. CFIS II is built on top of the Siebel CRM product, which from CAFC's point of view, is a fixed platform and will not change. Any changes to business rules, workflow or data requirements will require much more work in CFIS I than CFIS II.

The architectural design of CFIS II is much more robust than that of CFIS I. If major changes are required to rules, workflow or data, CFIS II would be able to accommodate those changes without major architectural changes; CFIS I would require a major rewrite. Once the CAFC accepts CFIS II, incremental changes would be incorporated more easily within CFIS II than CFIS I.

Although the performance of CFIS I has been architected to handle volume and throughput well, the system contains some essential design flaws which will cause it to gradually become less and less stable as incremental changes are introduced. With CFIS II, adherence to robust architectural design principles suggests that instability due to incremental changes is unlikely.

CFIS I has almost no useful documentation, so CFC must rely on the current team of technical specialists who have intimate knowledge of its internal workings to maintain the system.

-----20(1)(c)(d)----- CFIS II is well documented, and makes use of visual models which accurately describe what is going on inside the system.

In summary, CFIS II will be better able to accommodate changes in rules, workflow, data and other requirements than CFIS I over the long run.

⁷ The information in this section is reproduced from a report prepared under a separate contract by Manicom Consulting Limited and filed with TBS on March 29, 2004. The complete report is available separately.

5. Deciding on ASD and Choosing a System

5.1. Deciding on ASD vs. Choosing between Systems Approaches

As senior officials examine service delivery options for the Firearms Program, much of the discussion has been about the relative costs and merits of CFIS I vs. CFIS II. It is an inappropriate simplification to allow the decision to be excessively influenced by the relative merits of the two IT systems. Since the two systems are associated with two fundamentally different program delivery strategies, it is more appropriate to also assess the two strategies to assess their relative suitability.

With an assessment in hand of the relative merits of the two strategies, it would then be appropriate to add consideration of other issues, including the relative merits of the IT systems and the reality of the present situation where the Government has effectively paid, or is committed to pay, for two solutions to the Firearms systems requirement.

5.2. The 2000 Rationale for the ASD Model

As noted earlier, CAFC management have identified some significant concerns with the ASD approach. It is useful to recall the situation at the time it was decided to pursue an ASD solution. The program was experiencing very high costs, poor acceptance by clients as indicated by low rates of application, and high error rates and delays on most transactions were detracting from the credibility of the program. Challenged by the Government to find a way of delivering the program in steady state⁸ for under \$60 million per year, the Centre was struck by the fact its two largest cost components foreseen for the steady state, as projected from actual costs at the time, were \$26 million per year for maintenance and enhancement of the CFIS system, and labour costs of also about \$26 million per year. When the \$26 million in CFIS maintenance was added to a projected \$22.5 million in systems operations and \$2 million in IT infrastructure, IT costs were 59% of projected total Centre expenses - clearly not a sustainable outlook⁹.

Influencing the Centre's decisions in late 2000 was an extremely unfavourable assessment of the existing CFIS. This assessment included the history of high costs of development and maintenance, as well as the projected high costs of adding enhancements such as internet capability. Armed with advice that a simplified CFIS could be developed at a fraction of the cost of the original system (\$15 million instead of \$44.7 million), and operated for \$18.1 million instead of \$51.1 million per year, the replacement proposal became very attractive.

In addressing labour, the second most grievous cost element, the Centre examined the complexity of all of its existing business processes and concluded that they could be significantly streamlined if so enabled by changes in legislation and regulations. Simplifications to each business process were identified and savings estimated, and the possibility of the needed

⁸ "Steady state" refers to the program's volumes and work processes once the initial licencing of owners and registration of firearms is complete, and business volumes are reduced to those associated with licence renewals, new owners, new firearms, and ongoing items such as authorizations to transport and continuous eligibility.

⁹ Canadian Firearms Program - Final Report. November 9, 2000. PricewaterhouseCoopers

simplifications not being achieved through revisions to the legislation was contemplated as program risk.

The analysis at the time reflects a strong view that a full Business Process Outsource¹⁰ (BPO) to a single solution provider who would develop both business process and the new IT system, and then operate the majority of the program, was best. Key ingredients in this decision in favour of an ASD approach were the possibility of attracting private sector investment capital, the assumption of risks by the service provider, and using "best in class" IT and business processes, which were considered not to be achievable in-house. The logic specifically called for leaving most aspects of the solution design open for the service provider to decide. The RFP went ahead asking for a solution that assumed that the needed legislative and regulatory changes to enable process simplification would occur.

With the benefit of hindsight, the following issues are now apparent:

- The needed legislative and regulatory changes to permit significant process simplification did not occur.

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And the situation is further exacerbated by the following realities:

- The Centre is now in a contract with Team Centra to move to the ASD model, has significant financial liabilities under that contract, and potentially additional costs if the contract is terminated; and
- The Centre's present management are of the view that they could not effectively manage the program and be accountable for its results with such a large portion of the Centre's total activities, and therefore its budget, outside of their direct control.

5.3. Management's Concerns about ASD

CAFC management has articulated the following principal concerns about the applicability of ASD to the Firearms program:

¹⁰ A "business process outsource" is one in which the supplier is asked not merely to provide a service, but rather to assume full responsibility for a business activity or line-of-business, including deciding upon the exact business processes, and delivering the service on behalf of the client, using the supplier's personnel, business processes, infrastructure, and supporting IT systems.

- **Lack of budget flexibility.** Proceeding with the ASD will mean that over 80% of the Centre's budget will be committed to contractual arrangements for service provision to suppliers and to required transfers to provinces for CFO activity. It is argued this would leave Centre management with no financial flexibility to deal with unforeseen pressures, and almost no management discretion with which to manage costs downwards.

- **Hostage of the ASD Service Provider.** Every change or enhancement to the program will result in a direct charge by the service provider to the Centre, not only for implementing the change, but for any ongoing cost of operating it.

-----18(b), 20(1)(c)(d)-----

- **ASD arrangement places "core" activities outside.** The original designers of the ASD arrangement considered that most program delivery activities, other than critical decision-making about eligibility and firearms, could be placed with the service provider. Management now considers that call centre staff play a key role in presenting a positive face to the public, and indeed, are the principal human interface between the program and its clientele, and need to be direct employees of the Centre to ensure appropriate control over the image they project.

- **Lack of Flexibility.** A critical objective for the ASD arrangement and the accompanying CFIS II system is that it would be more flexible in terms of implementing program changes than the CFIS I environment.

exemption/exception 18(b), 20(1)(c)(d)



This has left Centre management with the impression that the new solution is inflexible and expensive to change.

- **Functionality of the New CFIS II.** Team Centra have provided demonstrations of the new system to the Centre, and operational managers spent two days going through its capabilities in detail. This has resulted in a long list of discrepancies between the functionality in the system and what is considered to be needed.

These concerns are valid. At issue, however, is whether they collectively indicate that ASD is unwise in this situation, or whether they indicate that particular effort should be made to solving them. Since ASD is likely to be less costly than in-house service delivery, careful consideration should be given to ASD before rejecting it.

An assessment of these concerns and comments regarding possible mitigation follows:

Table 9: Summary of Management's Concerns with ASD Solution

Concern Area	Assessment and Possible Mitigation
1. Lack of budget flexibility	A legitimate concern, particularly since the exact charges from Centra are determined by business volumes, which CAFC can estimate but not control. This issue is best handled by placing a frozen funding reserve in CAFC's budget, which the Treasury Board could authorize.

Concern Area	Assessment and Possible Mitigation
2. Hostage of the ASD Service Provider	This is true of any long-term contractual arrangement, but the contract with Centra has been carefully planned to foresee a wide range of events. The profit margin of the supplier is capped in the contract, and the Government has access to the contractor's financial records to ensure appropriate margins are respected. The contract requires re-pricing of services at regular intervals, and also commits the supplier to achieve certain price reductions. Further, Team Centra's performance to date has been very strong, and they show a sincere interest in CAFC having a high level of satisfaction with their service. This is a manageable issue, particularly with the nature of the contract structure in hand.
3. "Core" activities placed outside the public service.	Private sector examples abound in which enterprises have entrusted critical client-facing activities to contracted service providers. The concern about call centre staff expressed by CAFC management is understandable, but an attempt should be made to address the concerns rather than abandon the notion. In considering this issue, it should be noted that the supplier would be less constrained in dealing with poor staff performance than would the CAFC, owing to the difference in the employment regimes. On the other hand, Team Centra, if asked, would probably be agreeable to having public servants operate the telephones in the Call Centre.
4. Lack of flexibility in CFIS II	The impression that management has been given of CFIS II's limited flexibility, which stems from their concern over the preliminary costs estimates for implementing Bill C10-A changes, is not justified. The changes in question affect almost every form, introduce new data elements, and change many of the program's rules, and as a result, the estimate is substantial. Further, the preliminary estimate is likely to drop considerably if pursued in detail. Since no comparable estimate exists for the in-house system, the conclusion management has reached is inappropriate. The technical assessment of the two systems confirms that the CFIS II system should be far more flexible over the years than CFIS I.
5. Functionality of the new CFIS II.	The functionality gaps have been studied and documented in detail. Estimates to fix many of them are in hand, and for others, work-arounds have identified interim to more permanent solutions. The Centra contract provides for a permanent maintenance team, who will gradually be able to resolve many of these issues. While this issue would have to be managed, it does not appear to be a "show-stopper". Finally, it is believed that the root cause of many of these discrepancies rests with CAFC and their oversight of Team Centra's work, rather than with errors or omissions on the part of Team Centra.

Of the five concerns, it is worth noting that only number 3 on core activities is really about ASD. The others apply to the IT services contracted to operate and maintain the system. Since there is no scenario in which CAFC proposes to acquire its own in-house IT capacity, dealing with system changes through service providers will characterize all the options.

A review of the contract shows it to be very consistent with comparable private sector outsourcing contracts, except it provides the additional assurances of open books and capped margins, which do not typically characterize private sector outsourcing arrangements. Further, this contract provides fixed unit pricing through a much wider range of volume fluctuations (50%) than is typically found in outsourcing contracts (10%).

Team Centra has indicated a willingness to be flexible in discussing a wide range of issues to amend or change the contract to deal with concerns CAFC might have. They appear more anxious to make the arrangement work successfully to the mutual advantage of the parties to the contract than to unilaterally adhere to the original arrangement, which appears to be the fear being expressed by CAFC.

The Centre's discomfort with ASD and the Team Centra contract would be much reduced if there were a manager in the Chief Operating Officer's organization with previous experience in managing services through this type of contract.

5.4. Comparing the Two Options

Regardless of the decision to include the ASD portion in the Centra option, comparing the options is difficult because the range and levels of service delivered is different, they do not produce the same results, and the two systems include different features.

For ease of reference, the options are restated below:

Option A: Pursue the Team Centra solution in its entirety including the ASD model and continue to operate the Program in the interim through the extension of the existing CFIS I system until such time as the Service Effective Date occurs and a successful program handover from CFIS I to Team Centra and CFIS II is possible;

Option B: Terminate the Team Centra Contract for convenience, and continue to operate the Program using CFIS I, and hold an open mind regarding the choice of an IT solution for the longer term, once the legislative and regulatory environment have fully stabilized. This could include continuing to operate CFIS I indefinitely or eventually developing a replacement.

Option A Modified. Abandon the ASD portion of the Team Centra solution, and operate the CPS in-house as at present, but adopt the IT portions of the Team Centra solution, adopting their CFIS II system, and have them operate it for fifteen years as per the contract.

5.4.1. Benefits of CFIS II over CFIS I

The items which are included in Team Centra's contract also complicate the task of comparing the CFIS I and CFIS II approaches. Because the CFIS II approach is generally represented to include everything within the Team Centra contract, it raises the following inequalities or uncertainties in the comparison with the CFIS I approach:

- The system is much more modern, and incorporates several design features likely to be significant in the long run, which results in better flexibility, with COTS-based design that embraces naturally the notion of multi-channel client access.

- It provides a fix to the CFRO interface problem and its present dependence on the soon-to-be obsolete X.400 messaging protocol. These issues, along with the replacement of the CFRO computer platform, would have to be fixed in due course with the CFIS I approach, but have not yet been specifically costed.
- It complies with PROTECTED B security requirements that are not being applied with comparable rigour to the CFIS I environment
- It has been designed to meet fairly high service levels (performance, availability, maintainability) that will be measurable, visible, and contracted, that are not mandated for CFIS I.
- It is supported in a tightly controlled and robust environment consisting of separate configurations for development, system test, User Acceptance Testing, production and training
- It provides for CAFC to have their own network, which is not provided with CFIS I, which relies on the RCMP's NPSNet.

In addition, the contractual approach provides benefits over the present arrangement:

- The contract includes the cost of keeping all the technology refreshed at appropriate "evergreening" cycles
- It contains measures to contain costs and makes commitments to achieve savings, which will have mutual benefit. By comparison, the existing EDS service arrangement is strictly fee-for-service, "cost plus", with no commitments to ongoing improvement
- It provides contract certainty for fifteen years, while the present approach would have to be re-contracted in the very near future as noted earlier, with attendant risk

The difference between what the two solutions provide, when added to the fundamental differences in the contract arrangements, make the two approaches difficult to compare on a straight cost basis.

5.4.2. Advantages of Option B (continuing with CFIS I)

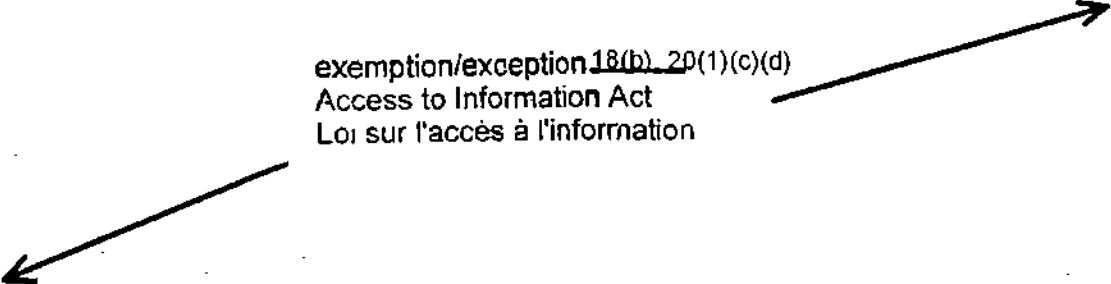
18(b), 20(1)(c)(d)

CFIS has stabilized, is reliable, and with a carefully managed rate of change, is able to be maintained at a very reasonable annual cost. Recent experience has been that the EDS support team are able to implement changes well, as long as they are not fundamental in nature. They recognize that there is limited ability to extend the EDS contract for maintenance, and that it will have to be re-tendered, but consider this a manageable risk. Their plans for continuing with CFIS I include allowances for substantial upgrades to the technology, including server replacement, major software refreshers, and a notional amount to perform a major re-development of the system in future years. Since CFIS I has stabilized, and since overall program performance has improved, CAFC management has become skilled at managing change and controlling costs with this system, which, coupled with fully in-sourced program delivery, places most of the variables under their direct control.

5.4.3. Terminating the Team Centra Contract

The contract provides for termination. Based on their experience with such situations, PWGSC considers that the supplier would likely propose a negotiated settlement, and that a compromise settlement would ultimately be struck. Table 4 in this report provides an estimate of costs relating to possible contract termination.

It is worth noting as a consideration in selecting this approach, exactly what the Government will have paid for and effectively discarded if it were to terminate the contract:

- - exemption/exception 18(b), 20(1)(c)(d)
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The assets above do not belong to the Crown, but rather, title rests with Team Centra, who have acquired or built these assets to discharge their responsibilities under the contract. Whether the contract proceeds or not, these will effectively be paid for by the Government, but their title will rest with Team Centra. If the contract proceeds, they will be used for the Firearms program. If it does not, Team Centra may use them as they see fit once a termination agreement has been finalized.

5.5. Determining a Target Legislative Base for the System

The issue of the alignment of IT systems and business processes on one hand, with the legislative requirements on the other, has been a major complication since the inception of the Firearms Program. Misalignments and changes in alignment have been a major source of delay and cost, and continue to be an issue at present, as indicated by the CFRS II solution developed by Team Centra matching Bill C-10A as proposed, but not as passed.

The Government has indicated its concerns about the cost of the Firearms program, and has articulated a desire for the ongoing costs to be minimized and predictable. There is nothing the Government could do that would be a greater contribution to minimizing costs than to minimize changes to the program. Indeed, the objective of the current Ministerial Review seems to be to address concerns that the different interest groups have about the program. Since the public has already indicated their concern about the cost of the program, one would expect the Government to weigh the benefits of addressing public concerns and a desire to reduce the burden that the program places on people against the fact that any change will have an implementation cost. In deciding how to proceed, it is vital that the Government picks a target and sticks to it long enough to get a system implemented. The table below shows the various levels of target functionality and, where applicable, the IT system that supports it.

Table 10: Potential Legislative Base and Target Functionality

No.	Legislative Base	Corresponding IT System
1	C-68 as currently in statute	CFIS I, as written in 1998 and since modified, and currently in production.
2	C10A as proposed	CFIS II, as developed by Team Centra, not in production.
3	C10A as passed by Parliament	None
4.	C10A plus results of current Ministerial Review, either as proposed or as ultimately passed b Parliament	None

On the basis of experience to date, it would be naïve to assume the results of the current Ministerial Review, once adopted as Government policy, will necessarily be translated into enacted legislation at any particular date. It is also known that in the long run, and perhaps also in the short run, CFIS II will prove to be more adaptable than CFIS I to program changes. It is fully expected that having brought Bill C-10A to its current state, with regulations about to be tabled, that the Government intends to proceed with C-10A, and apply the results of the Ministerial Review later.

To move forward, CAFC needs to determine a “tactical” legislative base – one that they can assume will remain in place long enough to enable making and implementing sound decisions about the program and its supporting systems. The fact that a Ministerial Review is underway makes it tempting to wait until the results of the review are known. Experience with C10A, however, suggests that is unwise to make any plans until consultation with stakeholders and the full parliamentary process including regulations are over. This thinking leads to CAFC’s proposed date of April 2006 for implementing the Team Centra solution. In choosing a tactical base and a system to support it, the following thinking applies:

- Since Parliament has passed C10A, it, rather than C-68, reflects the fundamental design that the Government intends to pursue
- The current Ministerial Review means more change will happen, but not likely for 12 to 24 months. In fact, CAFC should assume with this program that changes will always be happening, so flexibility is important. Also, waiting for “permanent” legislative stability will be pointless
- CFIS II is technically superior to CFIS I, and in particular, will be more flexible and have a longer life expectancy. Discarding the investment already made in it, and paying contract termination costs, must also be kept in mind
- CFIS II can be modified to meet C10A within months, which could be followed by cutover to the full Team Centra delivery model. This would offer stability until the results of the Ministerial Review are known, and avoid the delay costs associated with waiting until April 2006, and avoid the termination costs of abandoning the approach sooner.

Accordingly, the best strategy, considering these factors, would be to commit to implementing C-10A as passed at the earliest possible date, and to make the corresponding modifications to CFIS II (for which preliminary costing is in hand from Team Centra), and aim to implement this new combination (C-10A as passed supported by a duly modified CFIS II) as soon as possible. This would likely be six months.

5.6. Concluding on the Two Options

Having noted that the list of considerations related to the two options is long, and that their many different characteristics make comparison difficult, the table below attempts a very high level summary of the situation.

Table 11: Comparison of CFIS I and CFIS II Technology Solutions



exemption/exception 18(b), 20(1)(c)(d)
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6. Other Considerations

6.1. Establishing CAFC as a Department

The Firearms Program is a relatively small Program to be administered through a single purpose department. The machinery, architecture and governance structure that is required to support full departmental status and to ensure effective management, control and reporting is extensive and relatively complex.

The Firearms Program was severed from the Department of Justice and given its own stand-alone departmental status in April 2003. The new Department's senior management not only had to deal with the pressures of controlling costs in a difficult and complex program environment, but also had to put together the necessary departmental infrastructure to ensure that the new department would be fully functional. While much progress has been made, that infrastructure and bureaucracy is still not fully in place.

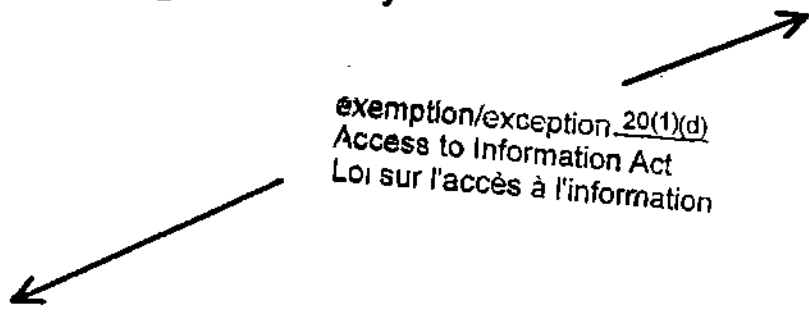
Senior management therefore does not yet have the full range of seasoned support that would normally be available to assist in planning and implementing the changes necessary to stabilize the delivery and costs of the Firearms Program.

This situation is further exacerbated by the fact that the majority of the Centre's financial resources are locked into long-term service contracts with the private sector, contribution agreements with Provinces for the provincial Chief Firearms Officers, and the Department's own service delivery infrastructure. There is almost no financial flexibility within existing spending and the organization has almost no discretionary spending power.

This provides little room to maneuver when faced with internal problems that require either temporary or permanent resource reallocations. As well, there is little appetite to provide additional resources to the Centre for administrative overhead when the Program is already viewed as being heavy on resource consumption.

The CAFC infrastructure is still being developing as is its functionality and depth in corporate systems and services; especially in the areas of financial management services, contract management, training, IT/IM services, and internal audit.

6.2. Program Stability



exemption/exception 20(1)(d)
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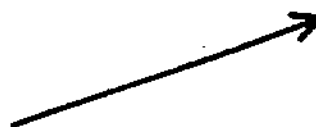
At this stage, it is critical to bring stability to the program in every way possible, and it is most critical to ensure that the errors in program alignment are not allowed to recur. This will require

refraining from building systems until legislation is stable, and also correcting the apparent disconnect between the process by which policy options are considered and legislation drafted on the one hand, and the program and its supporting IT systems designed and costed on the other.

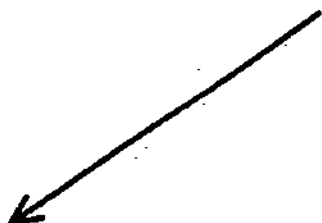
6.3. Stakeholder Environment

The stakeholder environment in the Firearms program is extremely complex. The recent organizational alignment of the Firearms Registry with the Firearms Centre reduces the complexity somewhat, but the environment continues to require the involvement of provincial authorities in many aspects of the decision-making process. In addition, the Firearms Program, when fully implemented, will involve computer links, in addition to those that presently exist, with the RCMP and the provincial CFOs, with DFAIT and with the Canada Border Services Agency (CBSA). No other government program comes to mind in which decision-making involves so many stakeholders, and where the systems involve so many interfaces, each of which must be negotiated, managed, and tested.

6.4. Accrual Accounting, Supplementary Estimates and Carry Forward



exemption/exception 18(b), 20(1)(c)(d), 23
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6.5. The Gartner Report of January 2004

In January 2004 CAFC engaged Gartner Group to examine the Team Centra approach and assess, from a risk management viewpoint, whether it was likely to achieve its objectives as originally set out. The report concluded that none of the original objectives, including cost reduction and risk sharing, would be achieved. As a result, this report was generally supportive of the view that continuing with the existing system was the lowest risk, lowest cost approach. Although Gartner Group is a technology-savvy organization, their mandate was more directed towards an overall assessment of the situation than a detailed assessment of the two systems. In this section, comments are offered on various aspects of the Gartner report.



6.5.1. Choice of Technology for CFIS II

The Gartner study expressed the view that the Siebel product was an inappropriate choice for the Firearms mission, arguing that it is a more elaborate tool than is actually required to solve this task. In their view, the job could have been more appropriately done with a combination of custom development and a good general-purpose work-flow management product. While this is a very arguable point, it is best to look at the results Team Centra has achieved with this product.

The fact that the Firearms solution has been implemented with only 10% of the code required in the CFRS I custom system would suggest that had the Siebel product not been used, a much larger programming effort would have been required. The reduced amount of code also should translate into a lower ongoing maintenance cost. Secondly, the Firearms program, like many that serve the public at large, lends itself well to a design in which there is separation between the client communications channel (Internet, IVR, Call-centre, or paper form) and the business logic. The Siebel product is designed to support this environment, and Team Centra has exploited this capability in their implementation. A demonstration of the completed system shows how easily the views may be customized and changed, and a level of flexibility that far exceeds a custom-coded system is instantly apparent.

Gartner noted a concern that should Firearm's requirements not map well within the pre-set data model in the Siebel product, that changes would be difficult. Team Centra has done a careful job of mapping Firearms entities to those pre-set in the Siebel product, and there is every indication that this mapping will stand the test of time.

Perhaps the most compelling endorsement of this technology choice is the amount of functionality that Team Centra has been able to deliver for a systems development cost that is only a fraction of what the present custom solution incurred.

6.5.2. Risk Sharing

It is unclear what the original risk sharing goals were. While there is normally enthusiasm for such notions when deals are being conceived, this is often tempered by the fact that risk borne by the contractor is ultimately paid for by the client, much like an insurance premium. Nevertheless, Team Centra undertook risk by contracting to build the original base system at a fixed price. Further, in the ASD portion of their proposal, they have committed to achieve certain price reductions, and have agreed to pricing that holds unit prices for most transactions constant over a wider range of volume fluctuations than is typical. The contract provides for "gain sharing", in which the benefit of any opportunities to reduce processing cost are shared between client and supplier. In all these ways, Centra has accepted risk.

The greatest risk that Centra has accepted is one they did perhaps not foresee, namely that the legislation would be delayed, that the system which they developed according to the Government's specification would be ultimately misaligned with the legislation, that they would not have yet been paid for the costs they have incurred.

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6.5.3. Cost Reductions

The Gartner report indicated the CAFC would not be achieving significant cost reductions with the Team Centra approach. Based on an analysis of what is known about both approaches, and with estimates currently available, the financial differences between the two approaches is negligible. Hence, the assertion that cost savings will not be achieved is correct, for those costs which are known. The future costs of maintaining both systems is unknown, however, and an analysis from a technical perspective suggests that maintenance costs should be lower with the CFIS II solution. The earlier discussion in the report on understanding the increase in costs in the Centra contract is relevant to this point as well, since the increase in costs does not result from problems with the approach, but rather the way events have unfolded with the legislation, omissions by the Government, and additions to Centra's mandate.

6.5.4. Flexibility of the System

Gartner's mandate and the short duration of their contract did not allow them to examine the internals of both systems as has been done in support of this study..

-----18(b), 20(1)(c)(d)-----
It is likely that if had Gartner had examined the internals, they would have arrived at the same conclusion as what is being reflected in this report.

6.6. Financial Considerations

The tables set out earlier in this report forecast costs associated with the two principal options using for the most part estimates of cost provided by the Centre. As well, there is discussion of the nature of the assumptions related to the forecasts and comments regarding the quality of estimates. Listed below in Table 12 are various items that are considered to be material from the consideration of financial risk. Comments are included against each item that assesses the level of risk, whether or not that risk is controllable, and comments regarding an appropriate risk mitigation strategy.

Table 12: Areas of Concern for Financial Risk and Possible Mitigation Measures

← exemption/exception 18(b), 20(1)(c)(d) →
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exemption/exception 18(b), 20(1)(c)(d)
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These items comprise a list of issues that contribute in one way or another to financial risk in the Program. They therefore must be managed carefully and if cost containment is an important priority, then a number of decisions must be taken soon that will contribute to the attainment of this objective. Otherwise, the costs will continue to spiral out of control.

This means taking decisions on a fully integrated basis that results in a major reduction in overall financial risk. These would include:

- 1) Stabilizing the legislative and policy framework.
- 2) Centralize decision making within the Centre with all final decisions having an impact on cost, complexity or program deliverability to be made by the Commissioner or on his behalf.
- 3)  exemption/exception^{18(b), 20(1)(c)(d)}
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- 4) Transfer the Program into a larger department, or if not, move quickly to strengthen Corporate Services and approve a \$5 million controlled reserve to provide the much-needed financial flexibility in the near term
- 5) Once the Program has settled somewhat, revise the Reference Level so as to provide a more stable funding framework for the planning period.

7. Recommendations

NOTE

The recommendations in this section reflect the best advice that can be provided as of the date of the report. Up to the date of the report, information on costs, options, and in particular, estimates of future costs continued to change. Further, the range of options being considered in the Ministerial Review was also changing. This constantly changing nature of the file underlines the key recommendation of deciding upon and sticking to a legislative base for the program long enough to implement a system and business processes that support it.

7.1 Adopt C10A as the Tactical Legislative Base

Issue: Bring statutory and policy stability to the Canada Firearms Program as quickly as possible. In order to achieve this, it is recommended that:

Recommendation 1: Quite independent of the current Ministerial Review that is underway, the Government accept Bill C-10A as the going forward legislative base for the Program and resist making further changes until the governance arrangements, technology solution and business processes have stabilized and costs have been brought under control.

Recommendation 2: Bring an early conclusion to the Ministerial Review that is presently underway, but defer using the results for making any further changes to the legislation or the program until after such time as the governance arrangements, technology solution and business processes have stabilized and costs brought under control.



exemption/exception 18(b), 20(1)(c)(d)
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exemption/exception 18(b), 20(1)(c)(d)
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7.4 Adjust CAFC Reference Levels



Issue: At present, neither of the proposed courses of action is achievable within the reference levels that have been set for CAFC. Accordingly, it is recommended that:

Recommendation 9: At the time of the next Annual Reference Level Update (ARLU), the CAFC construct a multi-year budget for the ongoing operation of the Firearms Centre, assuming that, by that time, Bill C-10A will be implemented;

-----18(b), 20(1)(c)(d)-----

7.5 Take Action to Improve Cost Control

Issue: To achieve the Government's objectives of minimizing the program costs and making them predictable, it is recommended that:

Recommendation 10: Only CAFC management should have the authority to make any decisions that would have the effect of impacting the cost, complexity or deliverability of the Canada Firearms Program. Therefore all change proposals relating to the operation or financing of the Firearms Program should come to the CAFC either for concurrence or a final decision.

Recommendation 11: Put measures in place to ensure that no decisions with respect to future directions for the program can be taken, (including decisions by Ministers), without complete transparency of all of the implications for program administration as well as non-recurring and recurring costs.

Recommendation 12: CAFC should take no further action to write program or otherwise engage in expensive preparations for future program delivery based on assumptions of what the end-state requirement might be.

7.6 Revisit Departmental Status for CAFC

Issue: Regarding Departmental status, it is recommended that:

Recommendation 13: The departmental status of the Canada Firearms Centre be revisited to assess whether the organization should continue as a stand-alone department or be transferred into a larger department or organization already involved in the public safety/public security agenda where substantial economies of scale could be realized in departmental overhead (e.g.: CBSA). In assessing this recommendation, the benefits of the potential cost reduction and addition of expertise should be assessed against the impact of further disruption, in an environment where clearly stability is what CAFC needs, in their program, their systems, and their corporate structure.



7.7 Strengthen CAFC Corporate Capacity

Issue: Regarding Corporate Capacity, it is recommended that:

Recommendation 14: If the CAFC is to continue as a stand-alone department, urgent attention is required to expand and strengthen its corporate capacity – especially in the fields of financial management and comptrollership, IT management and in contract management.