

Chapter 4

Section 4.14

Ministry of Government Services

Temporary Help Services

Follow-up to VFM Section 3.14, 2005 Annual Report

Background

The Ministry of Government Services (formerly the Management Board Secretariat) is responsible for the development of government-wide policies on planning, acquiring, and managing temporary help required by the government.

At the time of our 2005 audit, about 4,400 people working in the Ontario government were not employees of the province. Most of these people were temporary help workers employed through private-sector temporary help agencies. In the 2006/07 fiscal year, government-wide expenditures on temporary help services were reported to be \$26 million (they were \$40.1 million in 2004/05, and, over the 10-year period from 1993/94 to 2003/04, they totalled \$460 million).

During our 2005 audit, we found lack of compliance with government procurement policies for temporary help services in four of the five ministries we selected for detailed testing. In the fifth, the Ministry of Community and Social Services, we concluded that adequate procedures were in place for some aspects of temporary help procurement, although improvements were still needed in other areas.

Specifically, we noted the following:

- Despite a government policy that, with few exceptions, limits the tenure of temporary

help employees to six months, more than 60% of the temporary staff we tested had been working in the government for more than six months, and 25% had been there more than two years. One temporary employee had worked for the government continuously for more than 12 years.

- The temporary help engagements we tested were sole-sourced, with no quotes from other vendors, and none had been competitively tendered. Over half of these arrangements resulted in payments exceeding \$25,000, the threshold for which a competitive process is required. Since 1999, tens or even hundreds of millions of dollars may have been spent without a competitive process.
- In the 2003/04 fiscal year, the province paid one temporary help agency \$10.5 million, including almost \$4 million from the former Management Board Secretariat. We were informed that a former employee of the Secretariat runs this agency. Another agency, run by a former Ministry of Health and Long-Term Care employee, collected almost \$700,000 from that ministry during the 2003/04 fiscal year. A perception of unfair advantage can be created when government ministries award significant business to entities run by former government employees without a competitive process.

- We noted significant differences in the rates charged by various temporary help agencies, suggesting that ministries could have obtained the same services for less had they shopped around. We also found that overall, the temporary agency staff that we reviewed were paid more—sometimes substantially more—than comparable government employees.
- We found that a number of temporary employees were listed as secondments from organizations, such as hospitals, that received provincial funding from the Ministry of Health and Long-Term Care. However, many of these individuals were recruited by the Ministry and put on the payroll of, for example, a hospital that was then allocated increased provincial funding to cover the salaries of such secondments. Consequently, money that was recorded as hospital operating expenditures was actually being spent on other ministry health-care programs and ministry administration instead.

Current Status of Recommendations

On the basis of information provided by the Ministry of Government Services, we concluded that some progress had been made on all of the recommendations made in our *2005 Annual Report*, with substantial progress being made at the time of our follow-up on those dealing with compliance with government policies on the acquisition of temporary help services. Specifically, a number of new policies and procedures had been put in place to address many of our recommendations. As well, at the time of our follow-up, an enterprise-wide internal audit was under way to confirm that ministries were adhering to these new policies and procedures. The current status of actions taken on each of our recommendations is as follows.

PLANNING FOR THE USE OF TEMPORARY HELP

Recommendation

The Ministry of Government Services should work with senior government managers to implement procedures to ensure proper planning and compliance with government policies, including the requirements to:

- *engage temporary help only for those purposes allowed by government policy;*
- *document the justification for the use of temporary help;*
- *consider the availability of resources from other areas within the Ministry and across the government; and*
- *obtain the necessary approvals if temporary help is to be engaged for longer than six months.*

Current Status

Since our audit was completed in 2005, the Ministry of Government Services has created the Temporary Help Services (THS) website, which consolidates human resource and procurement directives, policies, and procedures. In addition, at the time of our follow-up, the Ministry of Government Services had developed a checklist to be used by all Ontario Public Service managers when planning for, acquiring, and managing temporary help services. The document, called *Justification and Checklist for Temporary Help Services*, must be completed and retained for all temporary help service engagements and must include all required information and documentation as outlined in the justification and checklist sections. The documentation should provide a clear picture of the temporary help services acquisition process followed, the rationale for decisions, and the extent of compliance with applicable directives, policies and procedures, and collective agreements.

The first section of the checklist requires ministries to indicate the reason the services are needed, to state that other options were considered, and to give the duration of the assignment. The checklist

requires a manager's written sign-off certifying that proper controls were exercised as part of the acquisition.

Managers are now also required to complete and attach to the checklist an additional document, entitled *Rationale for Temporary Help Services Over Six Months*, in situations where the temporary help engagement is expected to exceed six months or if a contract is renewed and the total duration exceeds six months. The document must be approved and authorized in accordance with a ministry's delegation of authority.

ACQUISITION OF TEMPORARY HELP SERVICES

Competitive Acquisition, Contracting, Comparison of Temporary Help Service Costs, and Potential Conflicts of Interest

Recommendation

To ensure that temporary help services are acquired in accordance with established government procurement policies and at the best price, the Ministry of Government Services should work with all government ministries to ensure that:

- *the competitive selection requirements for the procurement of goods and services are adhered to and, where required, an open, fair, and transparent process is followed;*
- *appropriate standard contracts or supporting documentation is in place for all temporary help arrangements to define the rights and responsibilities of the ministry and the vendor, the nature of the assignment, the expected duration, and the cost; and*
- *the procurement procedures that were designed to identify and deal with potential conflict-of-interest situations are complied with.*

Current Status

The Ministry of Government Services informed us that in its attempt to obtain temporary help

workers at the best price, it had its Supply Chain Management Division establish in March 2006 a two-year corporate vendor-of-record arrangement whose use is mandatory for 15 administrative and clerical categories of temporary help services. Twenty-one suppliers were selected to provide administrative and clerical services in 26 locations across the province. According to the *VOR User Guide*, ministries can select any vendor of record for contracts valued at less than \$25,000, but it is recommended that they request proposals from at least three vendors; for contracts estimated to be valued at between \$25,000 and \$249,999, ministries must invite at least three vendors of record to submit bids or proposals; and for contracts estimated to be valued at between \$250,000 and \$749,999, ministries must invite at least five vendors of record to submit bids or proposals.

Administrative and clerical services estimated to be worth more than \$750,000 and temporary help services not available through a vendor-of-record arrangement must be acquired in accordance with the Management Board of Cabinet Procurement Directive for Goods and Services. The Ministry of Government Services has reiterated these government-wide requirements to management through the Temporary Help Services website and manager information packages that were distributed to all ministry controllership offices in December 2005 and again in June 2006 following the establishment of the vendor-of-record arrangement.

The Ministry of Government Services also informed us that each vendor of record has a signed master agreement with the government, defining the rights and responsibilities of the ministries and the vendor, including maximum billing rates, obligations regarding conflict of interest, confidentiality agreements for the vendor's workers, and security clearances when required. In addition to the master agreement, the ministry requesting services and the selected vendor are required to enter into a service level agreement that describes the specific

deliverables, assignment duration, and ceiling cost and identifies personnel to be used. A service level agreement is also required for temporary help services not acquired through a vendor-of-record arrangement.

To help ensure that ministries follow the correct acquisition process, the Ministry of Government Services has included a section on procurement and contracting in the *Justification and Checklist for Temporary Help Services* (the document that must be completed for all temporary help service engagements). In addition, we were informed that internal audit was scheduled to commence a government-wide audit in March 2007 to assess compliance with policies and directives relating to the procurement of temporary help services.

In support of the acquisition of temporary help services through the current vendor-of-record (VOR) arrangement, the Ministry was planning to launch a new government-wide electronic tool called TempLink in the fall of 2007. TempLink was to be an on-line tool for acquiring temporary help services through the VOR arrangement; it would create request-for-service documentation with on-line approvals and reminders of the procurement rules and human-resources plans.

Use of Former Government Employees

Recommendation

To help ensure compliance with pension legislation intended to prevent former employees from simultaneously receiving a full pension and employment income from the government, the Ministry of Government Services should assess the feasibility of developing government-wide procedures to obtain and report to the relevant pension boards information on former employees who return to work for the government.

Current Status

The Ministry advised us that it had assessed the feasibility of developing government-wide procedures to help ensure compliance with pension legislation

with respect to former employees simultaneously receiving a full pension and employment income from the government. It indicated that it, together with the Ontario Pension Board and the Ontario Public Service Employees Union (OPSEU) Pension Trust, had tried to identify information needs and procedures that could be put in place to identify and deal with re-employed pensioners and had reviewed the current re-employment rules for consistency with the requirements of the *Pension Benefits Act* and the *Income Tax Act*.

The Ministry stated that both the Ontario Pension Board and the OPSEU Pension Trust had advised it that they did not have the means and capacity to police retirees who return to work and continue to receive a pension. They stated that the onus is on the retiree who returns to work to notify the re-employing ministry that he or she is also receiving a pension.

At the time of our follow-up, because of a number of concerns about privacy issues and the release of information, the Ministry had decided not to implement procedures for informing the pension boards that the government had engaged former employees. The Ministry said that, instead, a variety of measures had been taken to inform retirees and pensioners that they are obliged to abide by the re-employment rules. These measures include information conveyed in pre-retirement sessions, questions and answers on pension websites, and information sheets provided to all new hires.

Temporary Employees Acquired with Transfer-payment Funds

Recommendation

To ensure that ministry staff are employed and accounted for in accordance with the spirit and intent of government and Public Accounts financial reporting policies, the Ministry of Government Services should work with senior ministry managers

to develop specific policies and procedures with respect to secondments from transfer-payment organizations.

Current Status

The Ministry of Health and Long-Term Care informed us that it is developing a policy to help address the use of complementary workers, including those acquired via transfer-payment arrangements, and that it expects to release this policy in the third quarter of the 2007/08 fiscal year. In the meantime, the Ministry indicated, it had expanded its tracking and reporting of such arrangements and was centralizing the approval process.

The Ministry of Health and Long-Term Care had made the commitment in 2005 to reduce the number of transfer-payment arrangements. However, according to information provided, the number of such employees working at the Ministry had increased from 150 at the time of our audit in 2004 to over 170 in May 2007. Most of the current temporary employees hired through transfer-payment agencies were hired after our audit. The Ministry stated that the increase is due to expansion of the health-care agenda, staff turnover, the need for specialized expertise, and other factors arising from a reorganization of the Ministry.

MANAGING THE USE OF TEMPORARY HELP

Recommendation

In order to ensure the responsible and effective management of temporary help services, the Ministry of Government Services should work with senior ministry staff to implement procedures to ensure that:

- *the performance of temporary help agencies and their employees is assessed periodically and, as required, at least annually;*
- *all individuals working for the government sign the required oath of confidentiality and, for particularly sensitive functions, more extensive background checks are performed;*

- *rates charged and services provided by suppliers of temporary help services are matched against purchase orders and contracts prior to payment; and*
- *the cost of temporary help services is recorded accurately in the accounting records.*

Current Status

The *VOR User Guide* strongly advises that managers complete and submit a performance evaluation form to the Supply Chain Management Division of the Ministry of Government Services within 15 days of the end of a service level agreement. Completion of a contract performance assessment also appears on the *Justification and Checklist for Temporary Help Services* and is required for both vendor-of-record and non-vendor-of-record engagements. The Ministry of Government Services informed us that vendors must also submit to the Supply Chain Management Division information from their clients regarding their satisfaction with the performance of their temporary agency employees. The intent is that findings will be distributed to ministry finance offices and used in procurement planning for temporary help services in future.

The master service agreements with the new vendors of record include confidentiality requirements for temporary agency employees working in the government. Each temporary help worker must sign a confidentiality agreement before he or she starts a work assignment with a ministry. The *VOR User Guide* also states that some temporary help staff may be required to undergo security checks for work undertaken in specific offices and program areas such as the Office of the Registrar General and health cards. All requests for security checks are sent to the Emergency Management and Security Branch of the Ministry of Government Services. The *Justification and Checklist for Temporary Help Services* requires that managers sign off to demonstrate that ministries obtained appropriate security clearance and signed

confidentiality agreements from temporary help service workers.

In a new VOR pricing guide for temporary help services, the Ministry of Government Services reminds ministries that the rates quoted by suppliers of temporary help services should be the same as those outlined in the vendor-of-record master service agreement and that those are the maximum rates that can be charged—that is, they cannot be increased. The pamphlet also states that overtime shall be paid only for hours in excess of 44 hours a week. Included in the *Justification and Checklist for Temporary Help Services* are requirements to ensure that invoices have been reviewed for accuracy and appropriateness before payment and that the total value of invoices does not exceed the maximum value of the contract.

In the information packages sent to managers in 2005 and 2006, the Ministry of Government Services highlights the further requirement that temporary help agency expenditures must be charged to one of two salary-and-wages expense accounts. One account is for the cost of temporary help services acquired to fill short-term vacancies, and the other is for the cost of temporary help services acquired to address peak workload.

In addition, at the time of our follow-up, internal audit had scheduled for March 2007 an enterprise-wide audit to evaluate whether temporary help services have been acquired with due regard to relevant Management Board of Cabinet directives.

GOVERNMENT-WIDE TEMPORARY HELP SERVICES POLICIES

Assessing Alternatives to Temporary Help

Recommendation

To ensure the best value for the money expended, the Ministry of Government Services should conduct a formal assessment of the various alternatives for staffing short-term temporary assignments, and periodically evaluate the process selected to determine

if the expected benefits and/or cost savings are being realized.

Current Status

The Ministry of Government Services informed us that it hired an outside consultant to conduct an analysis of temporary employment services within the Ontario Public Service (OPS). In 2006, the consultant reported and made recommendations after researching the current status of temporary services in the OPS, related public and private-sector organizations, and the temporary help industry.

The Ministry of Government Services informed us that it is developing an on-line vendor-selection tool for temporary help services, called TempLink, that was to be implemented in the fall of 2007. This tool was to provide detailed reports on service usage, spending, vendor utilization, savings (that is, frequency of using lowest-priced vendor), and so on. The Supply Chain Management Division will analyze the information and report to each ministry's Chief Administrative Officer. The reports will be used for enterprise-wide temporary help procurement planning purposes.

Workforce Planning

Recommendation

To ensure effective monitoring and control of the government workforce, the Ministry of Government Services should:

- *include non-government employees in its workforce plans and policies; and*
- *track the approved versus actual staff complement for each ministry.*

Current Status

The Ministry stated that the Ontario Public Service (OPS) had completed a data cleanup of the Workforce Information Network (the software system for managing human resources across the OPS) and, as a result, the Ministry had, at the time of our follow-up, a more accurate picture of the

government workforce. The Ministry also stated that it had greater capacity to identify temporary help needs and the mechanisms to acquire human resources appropriately. With respect to obtaining information on the number of temporary help services employees working in the OPS, the Ministry indicated that arrangements were being made to enhance the acquisition and tracking of temporary help through the TempLink tool.

The Ministry also advised us that it had begun tracking and comparing full-time-equivalent (FTE) staff limits, which represent the maximum approved staff levels, with the actual staff complement for each ministry at year-end. According to information provided by the Ministry, the government as a whole was within approved staffing limits.