

# Chapter 7

## Contract Administration

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# Contract Administration

## Background

7.1 In our 1997 Report, we noted three instances where the Province failed to obtain signed contracts before goods and services were provided by suppliers.

7.2 Two instances occurred in the 1996-97 fiscal year. The first involved work by IBM for the Department of Finance while the second was a lease agreement for Air Ambulance Services. In neither case were signed contracts obtained until significantly after the term had begun. The third instance related to work performed by Andersen Consulting and was discussed in detail in our 1995 Report.

7.3 Contracts were also prominently featured in our 1998 Report. Some of our work during 1997-98 dealt with departments like Economic Development and Tourism, Health and Community Services, Justice and the Solicitor General, as well as the Fredericton-Moncton Highway, Evergreen and Wackenhut projects. Related work included a review of contract approvals and monitoring procedures for contracts dealing with funding, leasing, and the purchase of goods and services.

7.4 It is readily apparent from our work and findings over the last two years that contracts between the Province and its suppliers are very important. On signing a contract, parties are guided and governed as to their relationship and responsibilities. Contracts are especially important when they have implications over numerous fiscal years.

7.5 More and more government services are being delivered by the private sector through privatization, public-private partnerships and straight contracting-out arrangements. Many such contracts have lives extending over multiple fiscal years.

## Scope

7.6 The objective of this broad scope audit project was to determine what systems are in place to ensure contracts are being administered in accordance with negotiated terms and conditions.

7.7 The term “contract” has very broad meaning in common usage. Our Office does not have sufficient resources to audit all types of contracts in all departments of the provincial government.

7.8 For the purposes of this audit project, we have defined a “contract” as an agreement between the Province and at least one outside party (not including Crown agencies or corporations, hospitals or nursing homes). We restricted our work to those contracts having a

term equal to or greater than one year and that are used to meet ongoing operational (as opposed to capital) commitments.

**7.9** Our first goal was to determine the extent to which senior managers in government were aware of contracts which were in existence at the time of our review. Awareness was defined as the extent to which senior managers were able to provide important information about their existing contracts, including whether or not the contracts were being properly monitored.

**7.10** To assess awareness of contracts in departments, our Office developed four key criteria. Our findings for each of these criteria are discussed under the heading of General Observations.

**7.11** In assessing this first goal we conducted surveys and interviews with representatives of eight major departments of the government of New Brunswick. Following this work, we identified two further goals. One was to determine the extent to which contract performance is monitored and reported. The second was to determine the extent to which contracting delivers what was agreed, when it was agreed and for the price agreed. To assess monitoring, reporting and delivery we identified additional criteria. These criteria were used to review contract administration in selected areas of the Department of Health and Community Services and the Department of Supply and Services.

**7.12** Our work in these departments consisted of a review of fourteen contracts in the Department of Health and Community Services and five contracts in the Department of Supply and Services. The contracts in the Department of Health and Community Services were for a variety of services related to the Family and Community Social Services Division. These ranged from homemaker service to counselling and rehabilitation service. For the year ended 31 March 1999, our Office estimates that our sample of contracts represented \$12 million of annual Family and Community Social Services expenditures in the Department of Health and Community Services.

**7.13** The contracts at the Department of Supply and Services were for janitorial services administered under the Facilities Management Program. For the year ended 31 March 1999, our Office estimates that our sample of contracts represented \$338,000 or 1% of the annual expenditure of the Facilities Management Program in the Department of Supply and Services.

**7.14** Our findings related to monitoring, reporting and delivery are presented under the headings of Family and Community Social Services Contracts and Janitorial Contracts.

**Results in Brief**

**7.15** Government is not following the Financial Administration Act requirement that all contracts be submitted to the Comptroller.

**General Observations**

**7.16** No central registries of key financial or non-financial stipulations for contracts are maintained on a department-wide basis. Such registries would facilitate monitoring.

**7.17** Responsibility for monitoring contracts has been appropriately assigned.

**7.18** Responsibility for monitoring contracts rarely falls to senior management in the Province of New Brunswick. There is no formalized reporting to senior management on the status of key financial and non-financial stipulations.

**Family and Community  
Social Services Contracts**

**7.19** Of fourteen contracts reviewed, two were not signed by the end of the contract term. All remaining contracts reviewed were signed after their contract start dates.

**7.20** For ten of the fourteen contracts reviewed, fluctuations in the volume of service delivered would not impact payments to the contractor on a timely basis. This may be due, in part, to payments being more in the form of a grant, than for the purchase of service.

**7.21** Where program standards were applicable, no explicit reference was made in the contract to the effect that non-compliance would have on contract payment amounts or schedules.

**7.22** Relevant, reliable information exists with which contractor performance can be assessed. However, this information does not appear to be always obtained in order to allow the Department to assess contractor performance.

**7.23** Where such assessment information is both available and obtained, analysis of this information does not appear to be occurring on a timely basis. In addition, requirements for this information may not be formally stated in the contract terms.

**7.24** The Department needs to implement a more structured, proactive approach to ensuring that contractors are providing services which meet quality and other standards as specified in the terms of the contracts. This would include providing regular feedback to contractors on its satisfaction with their services.

**Janitorial Contracts**

**7.25** The Department should ensure that the nature and frequency of contractor evaluation and the deadline for evaluations is specified within the conditions of future contracts.

**7.26** The Department should obtain relevant, reliable information that can be used to evaluate contractor performance. The regular use of checklists to document inspection of the cleaner's work should be considered.

**7.27** The Department needs to implement a more structured, proactive approach to ensuring that services being provided by suppliers meet quality and other standards as specified in its contracts.

## General Observations

**7.28** Our first criterion was:

*Departments should be aware of, and able to provide documentation about, contracts which are outstanding in their departments at any given point in time.*

**7.29** In our effort to determine what contracts were outstanding at the time of our review, we noted that a central governmental registry for contracts should exist.

**7.30** The Financial Administration Act [Section 38(3)] states, "Every contract involving the payment of public money is to be submitted to the Comptroller when made." Until October 1998, the government Administration Manual assigned responsibility for ensuring the Comptroller has a copy of legal contracts to the individual exercising payment authority. This requirement has now been dropped.

**7.31** Our inquiry has determined that the requirements of the Financial Administration Act have not been followed for some time. Due to the large amount of documentation this practice would involve, the Office of the Comptroller has interpreted the Act to mean that the contracts must be maintained by departments and made available to the Comptroller on request.

## Recommendation

**7.32** Government should follow the Financial Administration Act. If the application of the Act is seen to be impractical or if there is a better way to ensure control is exercised over contracts, then consideration should be given to amending the legislation.

## Departmental response

**7.33** The Office of the Comptroller replied to our recommendation as follows:

*Our Office decided that it would be more efficient for departments to maintain their contracts and make them available if we wanted to review them. We advised departments accordingly.*

*It is our intention to change section 38(3) to read that departments will be responsible for maintaining contracts.*

**7.34** Since no central governmental registry currently exists, departments have (by default) been assigned responsibility for contract record-keeping.

**7.35** Virtually all departments have taken a decentralized approach to organizing their contracts. Within a department, responsibility for contracts is assigned to the branch or division having responsibility for the related program and budget. These are responsibility centres for which a manager is held accountable.

**7.36** Since contracts are assigned to numerous responsibility centres, a departmental perspective on the number, nature or dollar value of contracts outstanding at a given point in time is not available. Only the responsibility centre manager is able to generate detailed information about the nature, number and dollar value of contracts outstanding in their branch or division.

**7.37** Our findings in the Department of Health and Community Services confirm this. For Family and Community Social Services (FCSS) contracts signed in the central office, a Project Co-ordinator in the Executive and Program Support Unit was able to provide general information about the nature, number and dollar values involved. Though more detailed information was not immediately available, it was readily compiled by obtaining and reviewing the contracts involved.

**7.38** For FCSS contracts signed in a region, the Regional Director and Regional Administrative Co-ordinator were able to provide general information about the nature, number and dollar values involved. Similar to the centrally signed contracts, more detailed information was compiled by obtaining and reviewing the contracts involved.

**7.39** In the Department of Supply and Services, our Office was able to obtain a detailed listing of janitorial service contracts which had previously been compiled by the Manager of Financial and Support Services of the Facilities Management Branch.

**7.40** Our second criterion was:

*Departments should be aware of, and able to provide documentation about, key financial and non-financial undertakings for contracts which are outstanding in their departments at any given point in time.*

**7.41** Based on the preceding observation that no governmental or departmental registry of contracts existed at the time of our review, our Office similarly concluded that no such registries of key financial or non-financial undertakings in those contracts could exist. Registries of financial and non-financial undertakings, if they existed, would be limited to each responsibility centre.

7.42 This was confirmed in our surveys and interviews with departments.

7.43 In the Department of Supply and Services, some financial and non-financial undertakings were included as part of information maintained and provided by the Department. Though important non-financial information like the term of the contract and any extensions were included, other non-financial stipulations were not included in the registry. Examples of other non-financial information we considered important include: the results and dates of cleaning inspections, that a Certificate of Insurance has been filed with the department by the contractor as stipulated in the contract, and the results of criminal record checks where applicable.

7.44 In the Department of Health and Community Services, no responsibility centre registry existed which detailed or summarized financial and non-financial stipulations for contracts in either the central office or the region.

7.45 Without any contract registry of key financial and non-financial undertakings at the departmental or responsibility centre level, it is possible that key administrative issues may be overlooked. For instance, renewal options and notification dates, the right to inspect and conduct audits and the filing of key documents such as insurance policies may be overlooked when there is no registry to highlight them.

### *Recommendation*

**7.46 A registry of contracts should exist at either the responsibility centre or departmental level. This registry should include information on key financial and non-financial undertakings and be organized in a manner which permits effective review and follow-up.**

7.47 Our third criterion was

*Responsibility for monitoring each contract or class of contracts, if not exercised by senior management, should be designated to an appropriate employee.*

7.48 Responsibility for monitoring contracts is largely delegated by senior management to responsibility centre managers and their employees using the mechanism of spending authority. The government Administration Manual explains that individuals having spending authority are responsible and accountable for expenditures charged to their budgets and are responsible to verify contract requirements and to ensure that prices paid for goods and services are correct and reasonable.

7.49 In the case of the FCSS division of the Department of Health and Community Services, responsibility for the monitoring of contracts was assigned mainly according to whether the contract was signed by

personnel of the Department at head office or in one of the regional offices.

**7.50** Responsibility for monitoring contracts signed in the regions falls to the Regional Director who has spending authority over payments on these contracts. The Department's Purchase of Service Standards Manual assigns responsibility to a contract officer in the region. Unless delegated to others in the region, the Regional Director fulfils this role.

**7.51** Responsibility for monitoring centrally signed contracts is given to a Project Co-ordinator in the Executive and Program Support Unit who has spending authority over payments on these contracts. The Department's Purchase of Service Standards Manual assigns responsibility for monitoring these contracts to a provincial contract officer. The Project Co-ordinator referred to above appears to be serving in this capacity.

**7.52** The Department of Supply and Services has assigned monitoring duties for janitorial services in a similar manner. These contracts are assigned to Regional Managers, each of whom has the responsibility to ensure that buildings in their geographic area are being maintained and that service providers are performing in an acceptable manner. Each Regional Manager has also been designated as having spending authority for payments to contractors.

**7.53** Therefore, our Office can conclude that responsibility for monitoring contracts has been reasonably and appropriately assigned to employees having adequate knowledge of the contractor and their performance, as well as the authority to impact payments to the contractor.

**7.54** Our fourth criterion was:

*Departments should monitor, or receive regular documentation from designated employees regarding, key financial and non-financial undertakings for contracts that are outstanding at any given point in time.*

**7.55** Our surveys and interviews suggest there is no formalized reporting to senior management on the status of key financial and non-financial undertakings. This type of reporting could allow senior managers to ensure contractors, or groups of contractors, are complying with signed agreements. Objective performance indicators (like tasks, standards to be adhered to, etc.) should be documented, applied, and their status reported on a timely basis to allow departments to deal with poor performance on a proactive basis.

**7.56** Senior management receives reports on an 'as-needed' basis only. This type of reporting may await a top-down request by an immediate supervisor and might not be volunteered by responsibility



centre managers. In both the Department of Health and Community Services and the Department of Supply and Services, interviews revealed that regular, formalized reporting to senior management on the status of outstanding contracts has not occurred.

**7.57** A lack of regular, formalized reporting may increase the probability that senior managers are not kept abreast of significant administrative and operational issues, which could result in receipt of unsatisfactory goods and services from the Province's contractors.

## **Family and Community Social Services (FCSS) Contracts**

### **Monitoring and Reporting of Contracts**

*Contracts should be properly executed, signed and dated*

**7.58** Our office reviewed eight FCSS contracts signed at the central office with which the Department of Health and Community Services purchased goods or services over the 1998-99 fiscal year.

**7.59** One of the 1998-99 contracts was still not signed by the date of our review and therefore was not finalized at any time during the term of the contract. The remaining seven contracts were finalized between 21 and 162 days after their respective contract start dates. At the date of our review in late May 1999, none of the contracts for 1999-2000 had yet been finalized and signed.

**7.60** Our Office also reviewed six FCSS contracts signed at the regional office level. One of the contracts for the 1998-99 year was not signed at the date of our review and therefore was not finalized at any time during the contract term. The remaining five contracts were finalized between 154 and 217 days after their respective contract start dates.

**7.61** These findings cause us some concern. In order to protect the interest of the Province and its taxpayers, all contracts should be signed before services are received and payment made.

**7.62** In some cases where contracts expired before renewal, the Department indicated it did not wish to finalize a new contract until the prior year's audited financial statements were received and/or the Department's budget for the upcoming year was approved. These concerns would have to be addressed if contracts are to be finalized on a timely basis. One solution would be to incorporate a clause in the contracts to allow for future adjustments of payments.

### **Recommendation**

**7.63** **The Department should ensure that all contracts are negotiated and signed prior to the contract start date.**

### **Departmental response**

**7.64** *It has been the Division's practice for a number of years that contracts continued in effect past April 1 until new contracts were signed. Community agencies are aware of this practice, recognizing that government needed to be assured of available dollars in the budget and be in receipt of audited annual financial statements before signing (audited financial statements are important in cases where the funding*

*arrangement is similar to a grant). The standard contract will be reviewed to ensure wording reflects intent and practice.*

**Payment and volume of service**

**7.65** Based on our review of these contracts, our Office observed that the amount of payments was dependent on the rate paid (fixed by the Department) and the volume of activity (units of service provided by the contractor). In the case of some contracts, the contractor is also required to comply with additional program standards.

**7.66** However, our review of the fourteen sampled contracts, and subsequent discussions with departmental staff, indicated that ten contracts were in actuality either lump-sum payments or a series of payments which would not be immediately affected by changes in volume or compliance with standards. Should the contractor deviate from the contract terms, payments would only be affected through an adjustment in future months or the following year.

**7.67** Our Office determined that in many of these instances the Department was using a model contract designed for purchasing service from contractors on a “per unit of service” basis even though the payments more closely resembled a grant. In three contracts, the term “grant” appeared within the conditions which described the payments the contractor would be receiving. This model contract is found in the Department’s “Purchase of Service Standards” manual.

**7.68** For these contracts, the contract amounts are calculated using a budgeted lump-sum payment and annual volume amount as its starting point. The payment schedule, however, was based not on volume, but on fixed monthly amounts. No invoices were submitted by these organizations to receive this funding, though statistical reports are later received which should support the payments actually made by the Department.

**7.69** The four remaining contracts in our sample of fourteen contained explicit terms that made payments dependent on volume and contractors must submit invoices to initiate the payment process.

**7.70** Based on these results, it is evident that, depending on whether the intention of the Department was to provide a grant or to purchase services, a contractor’s failure to meet anticipated volume might affect their payment schedules and amounts in very different ways. Regardless, the same model contract is being applied to both. In doing so, the Department is confusing both departmental and contractor staff as to the meaning and implication of conditions in the contract which require a monthly volume of service from contractors. For the majority of contracts reviewed, fluctuations of volume would not affect payments in any timely manner.

**7.71** A wide spectrum of agreements might be appropriate between the Department and its suppliers. Where a grant relationship might exist, a grant agreement or conditional grant agreement might be more appropriate than the current purchase of service model contract which is being employed.

***Recommendations***

**7.72** The Department should review the appropriateness of applying the “Purchase of Service Standards” and its model contract, which links payments to volume, to those organizations for which grant funding is most appropriate.

**7.73** Where the model contract is deemed appropriate, the Department should ensure that contracts with suppliers make explicit reference to the effect on payment schedules and amounts should the contractor fail to meet the anticipated volume.

***Departmental response***

**7.74** *The Department will examine its approach and contractual arrangements with service providers to ensure there is an appropriate application of the purchase of service policy, which links payments to volume. If the purchase of service model contract linking payment to volume is not appropriate for a particular service, the department will utilize grant funding and reflect the change in our contractual arrangements with agencies.*

***Meeting program standards***

**7.75** Seven of the contracts reviewed contained explicit reference to the fact that “program standards” applied to the provision of service by the contractor. In those contracts, there was no explicit reference to the effect on payment or payment schedules should the contractor cease to meet those “program standards”.

***Recommendation***

**7.76** The Department should ensure that contracts with suppliers make explicit reference to the effect on payment schedules and amounts should the contractor fail to comply with program standards.

***Departmental response***

**7.77** *When regional staff are aware that contractors fail to comply with program standards, appropriate action is taken to correct the situation. If the client is at risk, the contract can be terminated....*

**7.78** *However, the Department will review contracts to ensure, where it is appropriate, that payment schedules and relevant program standards are clearly linked.*

***Relevant, reliable information should be obtained to judge contract performance***

**7.79** Based on our review of the model contract and the actual contracts sampled, we compiled a list of areas on which the majority of contractors could be assessed. These areas included:

- ensuring the contractor provided the service;
- the department’s satisfaction with the service;

- the maintenance of proper program and financial records by the contractor;
- the provision of service in accordance with standards;
- the adequacy of personnel policies; and
- the provision of financial and program reports by the contractor.

**7.80** The reliability of information provided by contractors is difficult to establish. However, a condition exists in the model contract that would allow the Province to establish whether information produced by a contractor is reliable. The model contract states, “*Both Parties agree to jointly review the program and financial records of the Agency, at least annually.*” Were this review undertaken by the Department, it would be much easier to establish the reliability of the information being produced by the contractor.

**7.81** Based on our review of departmental documentation as well as interviews with departmental and contractor staff, our Office concluded that relevant information is only obtained by the Department in the areas of financial reports and program (statistical) reporting.

**7.82** The reliability of the information has not been reviewed by the Department. There is little concern about the reliability of financial information provided to the Department, since each contractor undergoes an annual audit of their financial statements. However, the annual audit does not cover the program records (statistics) which are being reported to the Department. Further, the Department has not undertaken its annual review of program records outlined in the contracts. These factors increase the probability that the Department may base payments or other decisions on contractor information that is not sufficiently reliable.

### *Recommendations*

**7.83** Where a purchase of service contract is implemented, the Department should obtain relevant and complete information that can be used to assess contractor performance.

**7.84** The Department should ensure that the information obtained from contractors for use in assessing performance is reliable.

### *Departmental response*

**7.85** *The Department will identify key program standards, by category of service, and specifically define what is required to monitor performance in those categories. This will result in a standardized framework that will be used in all regions for monitoring and assessing contractor performance. In addition, the Department will conduct operational audits, based on risk indicators and regional input. The audits will provide an opinion on the reliability of the data provided by the agencies.*

**Analysis of financial information**

**7.86** Only eight of the fourteen contracts sampled specified that financial and program reports need be submitted by the respective organizations. Of these eight contracts, seven of them were readily identifiable as being under the monitoring mandate of central office. While two of these contracts explicitly required quarterly reporting, four others stated that either monthly or quarterly reporting was required along with an annual financial report at year end. Only one contract explicitly stated that annual reporting was sufficient.

**7.87** Our interview with central office personnel responsible for monitoring these seven contracts indicated that reports received during 1998-99 were not being compared to the appropriate contract budget or the prior year's figures. The project co-ordinator noted that these monitoring duties would be done at year end, as this is the appropriate time to do so. Though it may be true that monitoring at year end will allow adjustments to be made to the following year's contract budget and payments, it does not allow timely adjustment of amounts paid should anomalies in the volumes reported by contractors occur sooner.

**7.88** Contracts which were regional in nature did not contain conditions which explicitly required program or financial reports. We were informed that for half of the contracts sampled reporting is not required since the invoices and billings are sufficient to support payments. For the other half of these contracts, staff agreed that such information is useful and, in fact, is received from contractors since no invoices or billings are available to support payments.

**7.89** At minimum, annual financial reporting provides a basis for the next year's payments. Despite this, our Office found one instance where no financial statements for the previous fiscal year (ended 31 March 1998) were received to support the 1998-99 payments to one contractor. Our Office noted that a specific request was made for this information in the Department's cover letter accompanying the 1998-99 contract. Departmental staff admitted this lack of follow-up was an oversight both on behalf of the contractor and the Department.

**7.90** Interviews with both central office and regional staff suggest that interim reporting for some contracts may be unnecessary. This might be the case if the relationship with suppliers more closely resembles an annual grant-funding relationship than a purchase of service. Where the Department does not consider interim reporting necessary, the Department should amend the terms of the relevant contracts to eliminate the extra reporting requirements, thus saving both contractor and departmental staff valuable resources. Where interim reporting is deemed necessary, the Department should ensure reporting is formally requested in the conditions of contracts and adequate monitoring of this information is in place.

**Recommendations**

**7.91** The Department should ensure that the conditions of all contracts formally and specifically request program and financial reporting where such reporting is deemed appropriate.

**7.92** The Department should ensure adequate monitoring is undertaken for interim reporting required by conditions of its contracts with suppliers.

**Departmental response**

**7.93** *Based on the monitoring framework to be developed and previously mentioned, the Department will review and ensure reporting requirements are appropriate; if appropriate, the reporting requirements will be specifically identified in the contracts, and monitored accordingly. If not appropriate, the contract will be amended to eliminate this requirement of contractors.*

**Delivery of contracted service**

**7.94** Government should get what was contracted for, to the quality or specifications contracted for, at the time and price agreed. Government should completely fulfil its contractual obligations to the contractor.

**Volume and price**

**7.95** Only four of the fourteen sampled contracts required an invoice from the contractor to initiate payments. Interviews with staff of the Department indicate that the Department has a system of internal controls in place to ensure that the correct volume of service is received at the right time and price. In the other ten instances, payments are made first, with the subsequent program reporting being intended to support them.

**Quality or specifications**

**7.96** Our Office could not be assured that a system of internal control existed in the Department to ensure that it received the quality and specifications for which it contracts.

**7.97** Of the fourteen sampled contracts, seven of them contained a condition requiring services to be provided in accordance with 'program standards'. Three of these seven contracts were for the provision of homemaker services to clients of the Department. An example of program standards in these three cases is that service providers must have completed a certified home care worker training program. There is also a condition in the model contract which not only allows but requires the Department to assess contractors on their compliance with such standards. Given the significant nature of the standards and the potential vulnerability of the Department's clients, the Department needs to assess compliance with such standards in order to determine its satisfaction with services received.

**7.98** Interviews with departmental staff indicate that there should be an annual review of contracts to assess financial matters and changing program needs. There should also be feedback to the contractor on the Province's satisfaction with its services. However, this is not taking

place. Staff noted to us that the positions of contract officer (in regions) and provincial contract officer (in central office), as envisioned in the “Purchase of Services Standards” manual, were intended to perform these significant assessments and monitoring duties. These positions have been either eliminated or restructured so that resources may not currently exist to adequately perform the necessary work.

**7.99** However, interviews also suggest there is a low risk of non-compliance with standards or other similar issues because the organizations with which the Department contracts are credible and well established. Considerable reliance is placed on the watchful eyes of caseworkers as well as complaints from the client or their friends and family to detect performance which does not meet standards. This is a reactive approach.

**7.100** One interviewee within the Department indicated that a number of homemaker service contractors might be providing acceptable levels of service but do not meet all the criteria set out in the standards.

**7.101** Should this be the case, the implications may be serious. One contractor even expressed dissatisfaction that these standards were not being enforced for the protection of the Department’s clients. Our Office is of the opinion that a more proactive approach may be appropriate. We are not alone in expressing this opinion. The Department’s own “Purchase of Service Standards” manual envisioned this approach when it made the provincial contract officer responsible for arranging an annual evaluation of services purchased by the Department from external parties.

**7.102** Such a proactive evaluation of services would help ensure clients of the Department receive the best care and will also ensure that the Department’s expenditures obtain the maximum value for money.

#### *Recommendation*

**7.103** **The Department needs to implement a more structured, proactive approach to ensure that services being provided by suppliers meet quality and other standards as specified in its contracts. This would include providing regular feedback to contractors on the satisfaction with their services.**

#### *Departmental response*

**7.104** *The Department currently monitors that services being provided by suppliers meet quality and other standards as specified in its contracts. This is done on an informal basis by the caseworkers in the regions. As stated previously, the Department will develop a monitoring framework that will be used in all regions, to standardize and formalize the process.*

**7.105** *The Department will clarify with service providers and in the contract what type of feedback the Department will provide with respect to contracts.*

## Janitorial Service Contracts

### Monitoring and Reporting of Contracts

#### *Nature and frequency*

**7.106** During our review of janitorial service contracts, we observed that conditions existed in the contracts that would help determine the nature of any evaluation of contractor performance.

**7.107** Examples of these conditions are:

- the work to be performed by the contractor on a daily, weekly, monthly and bi-annual basis is clearly set out in the contract;
- “the execution of the work by the contractor shall be subject to the direction and approval of the representative of the Owner....”; and
- “if the contractor, in the opinion of the Owner, abandons the work set out in the specifications.....carries out the work in a manner detrimental to or in a manner other than that set out in the specifications attached .... the Owner shall be entitled to dismiss the contractor.....”.

**7.108** From the above conditions, it is clear that the contractor will be evaluated by the Owner (the Province). However, the contracts do not specifically state that inspections are to be performed. Further, the contracts do not set out how the evaluations will be carried out. The contracts should clearly state the nature of the evaluation. By way of example, the contracts could state that the contractor would be evaluated against a predetermined checklist.

**7.109** The frequency of contractor evaluations is not set out in the contracts. As a result, some buildings are checked weekly, while others are checked monthly. Without explicitly stating the frequency of evaluations in the contracts, the Province runs the risk of having some buildings inspected frequently while others are overlooked even though the buildings are used for similar purposes. Further, there is the possibility that some buildings require a higher frequency of inspections due to a high requirement for cleanliness related to the nature of activities carried out in the buildings. For example, provincial labs would require a higher standard of cleanliness than a regular office. The contracts should clearly state the frequency of inspections for a given building.

**7.110** The contracts do not discuss any deadline for evaluations. Because evaluation deadlines do not exist for janitorial contracts, there is an increased probability that information being submitted is not timely. There is also an increased probability of misunderstandings or disputes. To reduce this probability, the Department should specify all significant reporting deadlines in the conditions of its future contracts.

#### *Recommendation*

**7.111** **The Department should ensure that the nature and frequency of contractor evaluations and the deadline for evaluations is specified within the conditions of future contracts.**



***Relevant, reliable information should be obtained to judge contract performance***

**7.112** Basically, the cleanliness of a building provides all of the information needed to judge a contractor's performance. A contract outlines the duties to be performed daily, weekly, monthly, and bi-annually. However, it is impossible for the Department to be sure the contractors are actually performing all of these duties. To ensure this, a departmental employee would have to watch them as they work. Instead, as one Regional Manager stated, the contract stipulations regarding the work to be performed are a 'guideline' or tool. If the contractors follow the specifications outlined, the buildings will be clean. If they choose to carry out their work in a slightly different manner that is fine, as long as the quality of cleaning is acceptable. We found that this is reasonable.

**7.113** In four out of five contracts, regular building evaluations consist of visual inspections by Department of Supply and Services employees. For two of these contracts, according to the Regional Manager, quarterly (approximately) deficiency lists are produced whereby the buildings are inspected and things the inspectors feel should or could be done better are documented. Complaints of the Department of Supply and Services employees as well as complaints of employees using the facilities are passed on to the contractor either verbally or in writing.

**7.114** For one of the buildings sampled, a monthly checklist is used whereby a Department of Supply and Services employee ranks the cleanliness of the building (by floor and area) as poor, fair, and good. Copies of the checklist are then forwarded to the Regional Manager, as well as the contractor. This is an effective tool for providing feedback to the contractor. Further, using a checklist eliminates some of the subjectivity associated with performing visual inspections or maintaining deficiency lists where structured guidelines are not followed. Checklists direct inspectors to look at each area in the building and consciously rank the cleanliness. Using checklists also supports decision making regarding the renewal and termination of contracts. We were told that checklists are occasionally used for two of the contracts, however, copies were not produced as requested.

***Recommendation***

**7.115** **The regular use of checklists to document the inspection by the Department of the cleaner's work should be considered.**

***Delivery of contracted service***

**7.116** Government should get what was contracted for, to the quality or specifications contracted for, at the time and price agreed. Government should completely fulfil its contractual obligations to the contractor.

***Time and price***

**7.117** As mentioned previously the contracts outline the work to be completed daily, weekly, monthly, bi-annually and as required. We have concluded that it is impossible for a Regional Manager to know that the cleaners are performing everything outlined in the contract. However, as noted previously, the specifications are a guideline. As long as the buildings are clean, that is acceptable.

**7.118** In four of the five contracts the price as agreed was paid. In the fifth contract there was an amendment made to accommodate operational changes and provide additional security.

*Quality or specifications*

**7.119** Our Office could not be assured that a system of internal control existed in the Department to ensure that it received the quality and specifications for which it contracts. In most buildings regular documentation is not produced to support this.

**7.120** Our Office conducted a survey of six randomly selected government offices to get an idea as to whether the employees using the buildings were satisfied with the cleaning. On a scale of 1 (unsatisfactory) to 9 (excellent), four departments rated the cleaning as 7 while the remaining two rated it as 4. From the survey results we can conclude that there is room for improvement. In only two cases had the person completing the survey or their staff been solicited for input regarding the performance of the cleaners. In five of the six offices staff had registered complaints regarding the cleaning, and in all cases there was timely improvement.

**7.121** The Regional Managers interviewed realize there are problems with the cleaning and that there is room for improvement.

**7.122** Considerable reliance is placed on the watchful eyes of Department of Supply and Services employees as well as complaints from the government employees using the buildings to detect performance which does not meet standards. This is a reactive approach.

**7.123** Our Office is of the opinion that a more proactive approach may be appropriate. The checklist used in one of the five contracts is proactive. It provides reliable and relevant feedback to both the Regional Manager and the contractor.

**7.124** Such a proactive evaluation of services would help ensure that clients of the Department receive the best service. This approach will also ensure that the Department's expenditures obtain the maximum value for money.

*Recommendations*

**7.125** **The Department needs to implement a more structured, proactive approach to ensuring that services being provided by suppliers meet quality and other standards as specified in its contracts. Using checklists and conducting surveys of satisfaction with the service on a regular basis should form the basis of this approach.**

**7.126** **The Department should provide regular, formal feedback to contractors on its satisfaction with their services.**

***Departmental response***

**7.127** *We have reviewed the recommendations made in your report and we will endeavour to incorporate them into our administrative process in future contracts.*