

# Chapter 10

## Department of Supply and Services

### Contracts for IT Professionals

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# Department of Supply and Services Contracts for IT Professionals

## Background

**10.1** The purpose of this review was to determine departmental compliance with the terms and conditions of the Informatic Professional Services (IPS) contract of supply. This supply contract was established for the services of various Information Technology (IT) professionals in order to eliminate the need for tendering each time a department required an individual for a project. Our Office had an interest in this area because of our findings from a prior year audit of expenditures. In this prior audit, we found a number of anomalies associated with payments for information system professionals under this contract. We found instances where: the amount paid was higher than the amount indicated in the contract; a department appeared to have been billed for the same service twice; and the mathematical accuracy of the invoice was not verified before a payment was made, resulting in a monetary error. Because of these problems, we decided to look into this area in more detail.

## Scope

**10.2** Our audit consisted of an examination of payments made under forty IPS contracts from six departments in the period 1 April 2000 to 31 August 2000. The majority of the forty contracts were for a one-year term and they totalled \$4,494,379. The six departments we reviewed, along with the number of contracts in each, are shown in Exhibit 10.1.

*Exhibit 10.1  
Breakdown by department of the  
contracts reviewed*

Department	Number of Contracts	Total Value of Contracts
Health and Wellness	10	\$1,605,000
Finance	1	130,000
Office of the Comptroller	4	589,330
Supply and Services	9	884,416
Training and Employment Development	1	135,463
Transportation	15	1,150,170
<b>Total</b>	<b>40</b>	<b>\$4,494,379</b>

## Results in brief

**10.3** The Department of Supply and Services should modify the IPS terms and conditions to more explicitly define the intent of the

**contract of supply. In particular, the Department should provide examples of acceptable and unacceptable use of the IPS, including when departments should tender a service versus using the IPS.**

**10.4 The Department of Supply and Services should modify the IPS terms and conditions to clearly define key terminology, in particular the terms “specific skills”, “short-term needs” and “complete technology project”. The Department should also provide examples on how to appropriately structure contracts.**

**10.5 The Department of Supply and Services should modify the terms and conditions of the IPS to include a clause indicating departments are responsible for monitoring and tracking contracted individuals' time for all contracts arranged under the IPS. In our review, we found that in 60% of the cases this was not done.**

**10.6 The Department of Supply and Services should release the IPS contract to departments earlier. This would provide departments with adequate opportunity to comply with the terms and conditions of the IPS, in particular the requirement to obtain three quotes. We found that in 88% of the contracts reviewed, departments did not obtain three quotes. Releasing the IPS earlier would also help departments plan their IT activities, especially if they have key skills contracted under this agreement.**

## **Results from examining the forty departmental contracts**

**10.7** In this section of the chapter, we discuss our observations and recommendations resulting from our review of all forty contracts. Exhibit 10.2 illustrates our combined testing results. The majority of the attributes we tested have significant violations. We analyzed these results along with information we learned from discussions with departmental IT directors and staff in the Central Purchasing branch of the Department of Supply and Services. We make a number of observations as to what we believe contributed to such a large number of errors and make some recommendations on how such errors could be reduced in the future. Most of our comments relate to improvements needed in the terms and conditions of the IPS. However, we also make comments that relate to Central Purchasing and its role in communicating information to departments.

## **Improvements needed in IPS**

*Key terminology should be defined*

**10.8** The IPS was designed "to establish an eligibility list for informatic professional services providers with expertise in the information technology field". There are two conditions where departments can use the IPS:

**Condition 1:** To acquire “specific skills” for “short-term needs” with a cost not to exceed \$250,000; or

**Condition 2:** To undertake a “complete technology project” with a cost of \$25,000 or less.

## Exhibit 10.2

Testing results based on a sample size of forty contracts from six departments

Attribute	Number of Violations (out of 40)	Error %
Clear description of requirement	17	43%
Evidence of three quotes	35	88%
Time sheets adequately tracked	24	60%
Contracts sent to Supply and Services	19	48%
Statement of total payments on file	29	73%
Contract exceeds \$250,000 limit	1	3%
Contract categories agree with IPS categories	4	10%
Contract eligible under IPS (short-term needs AND specific skills)	28	70%

**10.9** From our review of the terms and conditions of the IPS, we observed that the three key terms in these conditions (specific skills, short-term needs, and complete technology project) are not defined. By not defining these terms, Central Purchasing has left the interpretation of the terms up to departments. From our review, we also noticed that departments are interpreting these terms in ways that can suit many different situations. Not all of these situations, in our opinion, should necessarily be contracted under the IPS. We believe the definition of key terms is critical if Central Purchasing hopes to achieve departmental compliance with this contract.

**Condition 1: To acquire “specific skills” for “short-term needs” with a cost not to exceed \$250,000**

**10.10** During our review of the forty contracts, we concluded that at least 70% of the contracts were not eligible under this contract of supply. We determined this by assessing whether or not the contracts met the key term “short-term needs”. We were unable to determine if contracts met the condition of “specific skills” as we did not believe we had the necessary knowledge to make a proper assessment. In our sample we did not encounter any contracts for “complete technology projects”.

**10.11** Before assessing whether or not a contract was for a “short-term need”, we needed to define this term. For the purposes of our review, we believed a reasonable definition of a “short-term need” to be under one year. We used this definition as a guideline when evaluating the contracts. However, we accepted contracts with longer lengths if the “specific skill” had a definite start and end date.

**10.12** From our review, we noticed the majority of contracts had a term of one year – 1 April 2000 to 31 March 2001. We also noticed departments tended to renew these contracts each year. We expected to find contracts of varying lengths depending on the time needed for that particular “specific skill”. Instead, we found fixed-term contracts that were often for work that seemed on-going in nature, such as help desk, system maintenance, long-term software development, etc. We do not believe work that is renewed each year should be eligible under this type of contract.

**10.13** We also noticed that in cases where contracts were on-going in nature, departments had difficulty providing a clear description of the requirement. (Providing such a description is a requirement of the terms and conditions. In particular, the terms and conditions require a start and an end date.) In these cases, the description was very brief – lacking the detail we expected. In fact, in all of the seventeen contracts we assessed as not having a clear description of the requirement, we also assessed them as not being eligible under the terms and conditions of the IPS.

**10.14** As mentioned above, we ignored the “specific skills” part of condition 1 when assessing a contract's eligibility under the IPS. One thing we did notice, however, was that by not defining what is meant by a “specific skill”, departments could interpret this term in such a way as to avoid exceeding the \$250,000 limit per contract.

**10.15** The following example illustrates this point. During our testing, we identified one contract that had exceeded the \$250,000 limit. This contract related to one individual and covered a twelve-month period. The individual was performing two different skill sets during this period. Each skill set was under the \$250,000 limit. The department thought that by splitting the work into two skill sets, it had avoided the \$250,000 limit. However, it arranged only one contract for both skill sets.

### *Recommendations*

**10.16** We recommended the Department modify the IPS terms and conditions to more explicitly define the intent of the contract of supply. In particular, the Department should provide examples of acceptable and unacceptable use of the IPS, including when departments should tender a service versus using the IPS.

**10.17** We recommended the Department modify the IPS terms and conditions to clearly define key terminology, in particular the terms “specific skills”, “short-term needs” and “complete technology project”. The Department should also provide examples on how to appropriately structure contracts.

### *Terms and conditions do not require departments to track contracted individuals' time*

**10.18** The terms and conditions of the IPS do not require departments to monitor or track contracted individuals' time. We believe monitoring/tracking of time is an essential component of the contracting process. This is the only way for departments to ensure they pay for actual services rendered. From our review we noticed that in 60% of the cases, departments failed to adequately track contracted individuals' time. From this, one would conclude that having this requirement included in the terms and conditions may be necessary as departments do not seem to be fulfilling this monitoring function. We noticed varying degrees of monitoring during our review of the contracts. In some cases, departments were receiving but not approving time sheets. In other cases, departments were not agreeing time sheets to invoices. And finally, in some cases, departments were not even receiving copies of the time sheets.

**10.19** We believe that good management practices dictate that someone should be accountable for these functions. Ideally, employees of the department should be ensuring contracted individuals are working on appropriate projects and are accurately billing the department for their services. In addition, an employee should be agreeing the time sheets to the time charged on the invoices. One department noted that having a departmental employee performing these functions is difficult. This situation results from having the majority of the IT department outsourced to private companies. However, as a general principle, we believe someone from the department should be monitoring and approving the contracted individuals' time.

*Recommendation*

**10.20** We recommended the Department modify the terms and conditions of the IPS to include a clause indicating departments are responsible for monitoring and tracking contracted individuals' time for all contracts arranged under the IPS.

**Improvements needed in communications with departments**

*Timing of release of IPS contract should be improved*

**10.21** Discussions with departments indicated that they were unhappy with the timing of the release of the IPS. The IPS was released on 31 March 2000. Many departments had contracts that expired on that date. These departments could not begin renewing their contracts until the new IPS was released, as they were uncertain whether the IPS was actually going to exist. As a result on 1 April 2000, departments immediately renewed their contracts to ensure IT services would not be interrupted. This was one of the reasons departments gave for not complying with the requirement to obtain three quotes. (88% of the contracts we reviewed had no evidence that this was done.) Departments were more concerned with having their operations continue, rather than ensuring they were getting the best value for money that might have been provided by obtaining three quotes.

*Recommendation*

**10.22** We recommended the Department release the IPS contract to departments earlier. This would provide departments with adequate opportunity to comply with the terms and conditions of the IPS, in particular the requirement to obtain three quotes. Releasing the IPS earlier would also help departments plan their IT activities if they have key skills contracted under this contract of supply.

*Departmental response*

**10.23** The Deputy Minister of the Department of Supply and Services provided the following response to our findings:

*The Department of Supply and Services welcomes the opportunity to improve the processes and procedures for procurement of services such as the Informatics Professional Services Contract, particularly where the department has only been tendering such services since 1995. In fact, I had previously asked that a number of these issues be reviewed prior to the next contract.*

*The first generation contracts were developed without great knowledge of the type and amount of expertise required. The most recent contract has provided a much better understanding and specification for the type of informatic services required. We also recognize that an important priority for the most recent Informatics Professional Services Contract was to provide flexibility to address identified needs as government addressed the year 2000 challenge.*

*The department has recognized a number of shortcomings in the Informatics Professional Services Contract of Supply and undertaken the following initiatives:*

*(1) a committee made up of staff from Central Purchasing and CIMS has been tasked with the responsibility to develop more detailed specifications for the upcoming contract. This would include definitions for “specific skills”, “short term” needs, and “complete technology project”, as mentioned in your report. The committee will also assist departments by developing standardized statements of work, contract templates, and tracking and monitoring processes.*

*(2) this department will develop and send a notice to client departments concerning: documentation of quotations from vendors, improvements necessary for monitoring contractor billing amounts/timesheets, the need to forward contracts to Central Purchasing, the need for complete statements of work, and advising departments to ensure contract language is consistent with the Informatics Professional Services categories, etc...;*

*While the Department has recognized that improvement can and will be made for the next contract, our staff in both Purchasing and CIMS do not believe that user departments were undertaking anything but important and needed informatics related work.*

*The threshold point between specific project tendering and use of the Informatics Professional Services Contract does need review and there may, in future contracts, be projects purchased under different contracts of supply or by individual tender, but we would not expect the range of services required to be much different than it was during the period of the audit. It is hoped that the audit comments regarding project ineligibility are not misinterpreted. There is regular and close contact between DSS staff and IT personnel in other departments and we are not aware of any instances of unnecessary or unproductive informatics work being undertaken. The issues are one of process, not whether the work needs to be done.*

**Matters reported to individual departments**

**10.24** In addition to reporting our overall findings and conclusions to the Department of Supply and Services, we reported our detailed findings and made recommendations to each department responsible for the contracts we examined. The responses in most cases indicated that changes would be made to improve compliance. Following is a summary of our detailed findings.

**Evidence of three quotes not obtained for all contracts**

**10.25** Under the terms and conditions of the IPS contract, departments are required to obtain three quotes from different companies before awarding contracts. Discussions with departmental staff indicated they usually call companies before awarding the contracts. However, in five of the departments we tested, there was often no evidence on file to indicate that this was done. For example, the Department of Supply and Services was able to provide evidence of three quotes for four of the nine contracts we reviewed. An example of a contract where we were unable to find evidence of three quotes related to an individual working as a senior systems analyst. The contract covered the period 1 April - 31 March and the individual was contracted to work 240 days at four hours per day. The total contract amount was \$96,000. We encountered a similar situation in the Department of Health and Wellness. In this case it related to an individual working as a project manager. The contract covered the period 1 April - 31 March and the individual was contracted to work for 225 days. The total contract amount was \$135,000.

**10.26** We believe that obtaining three quotes is necessary as it demonstrates that a department gave an opportunity to several suppliers to bid for the services. Also, it improves a department's ability to receive a better price for the services to be rendered. This information should be documented in all cases. If three quotes are not obtained, an explanation should be noted on file.

**Recommendation**

**10.27** We recommended that departments obtain at least three quotes from vendors before awarding an IPS contract. These quotes should be documented and kept on file with the signed contract. In cases where it is not possible to obtain three quotes, the IT director should document the reasons why.

**“Statement of Work” varied in quality**

**10.28** Under the terms and conditions of the IPS, each contract file should contain a clear statement of the requirement, which includes a description of the services to be provided with start/end dates. This is often referred to as a statement of work.

**10.29** We noticed the quality of the statement of work varied from contract to contract. For example, some contracts had excellent descriptions of the services to be provided and the scope of the work was very detailed and clear. However, in four of the departments we tested this was not always the case. We think the practice of the Department of Supply and Services of including a detailed statement of work in the contract helps to eliminate any potential problems or disagreements which



may arise over the scope of the work. We would like to see this level of detail in all contracts.

*Recommendation*

**10.30 We recommended that each contract contain a clear and detailed statement of work.**

**No statement of total payments on file**

**10.31** The terms and conditions of the IPS require that each contract file contain a statement of total payments made. In many of the contract files we reviewed, we did not find any such statement. Tracking payments is necessary not only to meet the terms and conditions of the IPS, but also to ensure that a department does not exceed the contracted amount.

*Recommendation*

**10.32 We recommended that departments ensure each IPS contract file contains a statement of total payments made for the contract as required by the IPS terms and conditions.**