

Temporary Help Services

Background

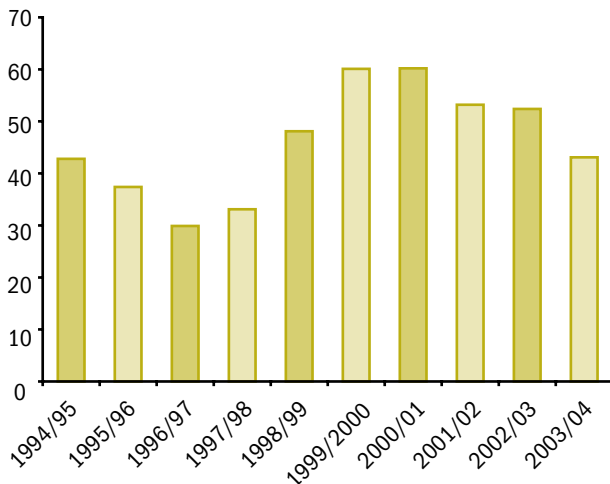
Temporary help services are defined as the short-term engagement of qualified employees acquired through a private-sector temporary help agency, a temporary fee-for-service arrangement, or other sources outside of the public service. The Ministry of Government Services (Ministry), formerly Management Board Secretariat, is responsible for the development of government-wide policies, such as the *Temporary Help Services Policy*, and the mandatory requirements in the *Procurement Directive for Goods and Services*. This directive specifies the

principles governing the planning, acquisition, and management of temporary help required by the government.

Based on the best information available at the time of our audit, there were about 4,400 people engaged to perform work for the Ontario government who were not employees of the province. Most were temporary help workers, employed either directly by a government ministry on a fee-for-service basis or through a private-sector temporary help agency. Temporary help ranges from entry-level clerical and other administrative staff to highly skilled professionals, engaged on a day-to-day basis or for more extended periods of time. In the 2004/05 fiscal year, government-wide expenditures on temporary help services were \$40.1 million, and over the preceding 10 years, expenditures recorded for temporary help totalled \$460 million, as illustrated in Figure 1.

Figure 1: Expenditures—Temporary Help Services, 1994/95–2003/04 (\$ million)

Source of data: Public Accounts of Ontario



Audit Objective and Scope

The objective of our audit was to assess whether temporary help services were acquired and managed with due regard for value for money, and in compliance with legislation, policy, and contractual agreements.

The criteria used to conclude on our audit objective were discussed with, and agreed to

by, senior management and related to systems, policies, and procedures that should be in place. Our audit was performed in accordance with the standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

The scope of our audit work included interviews with ministry staff, a review of government policies and administrative procedures, and an examination of invoices and other related documents. We conducted detailed testing at five government ministries that account for 58% of temporary help services expenditures: Health and Long-Term Care; Attorney General; Community and Social Services (including Children and Youth Services); and two former ministries that are now part of the new Ministry of Government Services: Management Board Secretariat and Consumer and Business Services. Additional testing of select issues was conducted at four other ministries that accounted for an additional 22% of temporary help services expenditures, as illustrated in Figure 2.

Our audit also included a review of work that had been done by internal audit throughout the government. We did not reduce the extent of our audit work because internal audit had not conducted any audit work specifically related to temporary help services.

Summary

In four of the five ministries we selected for detailed testing, we found non-compliance with government procurement policies designed to ensure that temporary help services were acquired and managed with due regard for value for money. Fundamental procedures designed to ensure compli-

Figure 2: Temporary Help Expenditures by Selected Ministries, 2003/04

Source of data: Public Accounts of Ontario

Ministry	Temporary Help Costs (\$)	% of Total Costs
Where Detailed Testing Performed		
Health and Long-Term Care	9,456,553	22.0
Management Board Secretariat*	6,005,197	13.9
Attorney General	4,700,181	10.9
Community and Social Services	3,659,004	8.5
Consumer and Business Services*	1,268,068	2.9
	25,089,003	58.2
Where Selected Testing Performed		
Public Safety and Security	3,892,206	9.0
Finance	2,798,946	6.5
Transportation	2,495,896	5.8
Education	339,970	0.8
	9,527,018	22.1
Where No Testing Performed		
other ministries	8,470,163	19.7
Total	43,086,184	100.0

* As of June 2005, ministry became part of the new Ministry of Government Services.

ance and value for money need to be put in place at these four ministries. 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 were working in the government for more than six months, and 25% were there more than two years. One temporary employee had worked for the government continuously for more than 12 years.
- In four of the five ministries we examined, almost 90% of the temporary help staff we tested were engaged for purposes other

than those permitted by government policy (replacing absent employees, temporarily filling vacant positions, or augmenting staff during peak workload periods). Only the Ministry of Community and Social Services was substantially in compliance with this requirement.

- The temporary help engagements we tested were sole-sourced, with no quotes from other vendors, and none was competitively tendered. Over half of these arrangements resulted in payments exceeding \$25,000, the threshold for which a competitive process is required. Since 1999, when the government did not renew standing agreements with a number of temporary help agencies, tens or even hundreds of millions of dollars may have been spent without a competitive process in place.
- We noted significant differences in the rates of various 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. For example, one temporary help employee was paid \$125 per hour when a comparable government employee would have received only \$60 per hour.
- 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 do significant business with entities run by former government employees and such work is awarded without a competitive process.
- Some temporary workers are retired government employees who collect full pensions while earning a salary for their temporary work despite specific regulations requiring that their pensions be reduced when they return to work for the province.
- We found that numerous temporary employees were listed as secondments from organizations, such as hospitals, that receive provincial funding. The Ministry of Health and Long-Term Care employs almost two-thirds of such seconded employees working in the government. However, many of these individuals were recruited by the ministry and put on the payroll of these outside organizations to facilitate their secondments. In return, the organizations received increases in their provincial funding to cover the salaries of these individuals. Consequently, money that was recorded, for example, as hospital operating grants was being spent on other health programs and ministry administration instead.
- We noted many errors in recording consulting services as temporary help, and many other cases where temporary help was accounted for as either consulting services or transfer payments. Consequently, any decision-making based on this information for ministry or government-wide management and control purposes may be flawed.
- Alternatives for providing temporary help employees were last considered in 1996, when the government was contemplating cancellation of its in-house pool of temporary staff. In 1997, the government selected 20 vendors to supply temporary help for 69 job classifications. The agreements with these vendors expired in 1999. Since then, neither the government nor the ministries we reviewed had analyzed the costs and benefits of alternative options for staffing temporary help assignments more cost effectively.

OVERALL MINISTRY RESPONSE

We appreciate the Auditor General's comments regarding temporary help services in the Ontario government and are committed to ensuring that proper controls are in place and followed.

Since the 1990s, the size of the Ontario Public Service (OPS) has dropped considerably. The size of the Ontario government's workforce has been reduced by 20%, from over 81,000 full-time-equivalents (FTEs) in 1995 to 65,000 in 2005. Between 1995 and 1998, FTEs dropped by just over 15,000. The speed and magnitude of this decline placed considerable strain on the OPS and its ability to deliver quality public services. In order to maintain quality delivery of key government programs and services, the OPS has historically used alternative short-term workforce arrangements where necessary, such as during peak workload periods. The Ministry recognizes that although temporary contracted arrangements are a necessary component in the delivery of services, an appropriate workforce balance and compliance with OPS procurement and human resources (HR) directives must be achieved. To this end, our existing procurement and HR policies and directives provide a comprehensive framework that ministries must follow.

Part of the Ministry's mandate is a commitment to rebuild the public service in key priority areas. This means carefully reviewing the mix of classified, unclassified, temporary, and consulting workers to ensure the appropriate use and optimal balance of workers. To date we have:

- Reduced the use of consultants: In collaboration with bargaining agents, converted work previously done by consultants into 590 staff positions, saving \$22 million a year;
- Undertaken a process to identify and achieve the appropriate level of contingent staff

within our workforce and will collaborate with our bargaining agents as part of this process; and

- Strengthened our control environment: Established and implemented an appropriate control environment regarding the acquisition of consulting and goods and services. Our efforts over the last three years have resulted in a 24% drop in spending on temporary help services.

The Ministry is implementing an action plan that includes strengthening existing policies, introducing a vendor-of-record arrangement, and implementing other supporting tools.

Detailed Audit Observations

PLANNING FOR THE USE OF TEMPORARY HELP

The *Procurement Directive for Goods and Services* states that ministries must undertake planning as an integral part of the acquisition process. This planning includes the justification of the need for the service, an assessment of the availability of the necessary resources internally, and the receipt of all necessary authorizations. Additionally, the *Temporary Help Services Policy* outlines the conditions required to determine if the acquisition of temporary help is appropriate.

Conditions Required for the Use of Temporary Help

The *Temporary Help Services Policy* states that such services can be used only where a regular employee is absent due to vacation, sick leave, other leave of absence, or an inter-ministry secondment; during an interim period when a position has become vacant and a replacement is being actively sought;

or to augment staff during peak workload periods. The policy further stipulates that no temporary worker may be employed for more than six months, except when replacing an employee on a leave of absence of more than six months. The policy is mandatory for all ministries; however, many of the managers we interviewed who had engaged temporary employees claimed that they were not aware of the existence or the contents of this policy.

We reviewed the circumstances under which temporary help services were engaged at five ministries and found that four of them did not have procedures in place to ensure that temporary help services were engaged in accordance with government policy. We found that the fifth, Community and Social Services, had procedures but that compliance could be improved. Specifically, we noted the following:

- Only the Ministry of Community and Social Services employed temporary help in substantial compliance with government policy. In the four other ministries that we examined, almost 90% of the temporary help staff that we tested were not filling in for absent employees, temporarily covering vacant positions, or augmenting staff during peak workload periods.
- More than 60% of the temporary help staff we tested had worked continuously in the government for more than six months, and 25% had been there more than two years. One person in our sample had been working in the government continuously for more than 12 years, and another eight for more than five years each.
- Ministry management indicated that temporary agency staff were acquired not just to backfill vacancies or to augment staff during peak workloads, but also to deal with permanent increases in work. For example, the workload in one ministry program increased due to a change in program eligibility rules in 1999 that made more people eligible for funding support. As a result, the number of applications to the program

increased, and more staff were needed for data entry. The ministry stated that it had intended to automate the process, and so acquired temporary agency personnel instead of hiring permanent staff. At the time of our audit, however, no definitive plans were in place to automate the process, and the program had continually engaged individuals from a temporary help agency.

Not only is such long-term employment of non-government personnel contrary to government policy, but the two major government unions have alleged that such arrangements contravene the contracts negotiated with them. In 2002, both the Ontario Public Service Employees Union (OPSEU) and the Association of Management, Administrative and Professional Crown Employees of Ontario (AMAPCEO) filed grievances claiming that the government violated collective agreements by using temporary help agency personnel and fee-for-service consultants to perform work that should have gone to government employees. The unions sought orders directing the employer to stop such practices.

In respect of OPSEU, the grievance board ordered the government to prepare a list of non-government employees in each work site identified in the grievance. At the time of our audit, the grievance process was still underway, but concerns over several work sites have been resolved by mediation, with the requirement that government employees fill 590 positions held by temporary help workers. With regards to AMAPCEO, the grievance board ordered the government in October 2004 to collect information on the use of non-government employees and disclose it to the union. At the time of our audit, AMAPCEO and the government had not reached a settlement.

Justifying the Use of Temporary Help Services

In addition to the requirement in the *Procurement Directive for Goods and Services* to justify the use of temporary help services, the *Temporary Help Services Policy* states that ministry files should include the rationale for the use of such services. Such documentation helps to ensure compliance and is particularly relevant when hiring individuals with technical or other specialized skills.

We selected a sample of temporary employees from five ministries to determine if proper justification was documented prior to their engagement. We found that the requirement to justify the need for temporary help was not documented in four of the five ministries selected for detailed testing. Only the Ministry of Community and Social Services had procedures in place to ensure that the need for the engagement of temporary help services was documented. At the other four ministries tested, we noted that for over 80% of the temporary help service arrangements we reviewed, there was no documented justification identifying the need to engage such services.

Assessing the Availability of Internal Resources

The *Procurement Directive for Goods and Services* requires that the availability of necessary human resources should be addressed and documented during the planning phase of the acquisition process. Related guidelines also state that although both government and non-government employees can complete temporary work, the services of temporary help agencies may not be purchased when existing ministry resources are available.

The ministries we tested did not formally assess whether internal resources were available before acquiring temporary help services from outside sources. We were informed that resources from other areas of the government were limited because

of staffing constraints in place at the time. However, without an assessment of available resources, ministries cannot ensure that operational needs are being met in the most cost-effective manner. In addition, the proper evaluation and documentation of available resources could help ministry management identify recurring areas where training or hiring individuals with the required skills would be a more appropriate strategy for obtaining staffing resources.

Authorization for Hiring Temporary Help

Temporary help services acquired in accordance with government policy must be short-term and would not usually exceed the thresholds established for ministry approvals. Accordingly, each ministry is required to determine its own procedures consistent with obtaining value for money. In addition to the required ministry approvals, a government-wide hiring freeze in effect since August 2003 required ministries to obtain deputy minister approval prior to filling a newly created position, a permanent vacancy of any duration, or a temporary vacancy of more than six months.

We reviewed the approval processes in place and found that of the five ministries tested, only the Ministry of Community and Social Services had procedures in place to document approvals and obtain the required deputy minister sign-off to hire temporary help for more than six months. None of the other four ministries could provide evidence that proper approvals had been received prior to hiring more than 90% of their temporary help personnel.

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.

MINISTRY RESPONSE

The Ministry agrees with the recommendations.

In order to maintain quality delivery of key government programs and services, the Ontario Public Service (OPS) has historically used alternative short-term workforce arrangements where necessary, such as peak workload periods. The Ministry recognizes that although temporary contracted arrangements are a necessary component in the delivery of services, an appropriate workforce balance and compliance with OPS procurement directives must be achieved. Our existing procurement and human resources (HR) policies and directives provide a comprehensive framework that ministries must follow.

Ministries have been instructed to ensure that when acquiring temporary help services they document the reason for the engagement, confirm that internal resources are not available to carry out the work, and ensure that all necessary approvals have been obtained and are fully documented. These arrangements must also fit into an overall workforce plan and strategy.

In 2004/05, the OPS strengthened controls over the hiring of permanent and contract staff. These controls ensure that appropriate accountability is in place for staffing activities, fiscal

responsibility is maintained, and the size of the OPS workforce is appropriate.

In order to support ministries in the procurement of temporary help services, the Ministry has clarified all controls regarding the appropriate use and acquisition of temporary help services. The clarification of our HR policies and procurement practices regarding temporary help will complement existing controls and strengthen our current practices.

On September 2, 2005, the Ministry provided specific direction to all ministries in order to ensure that they fully document the following requirements:

- availability of existing resources;
- business rationale for retaining temporary help services; and
- adherence to delegation-of-authority approval levels.

In October 2005, the Ministry will launch an on-line tool kit to assist ministries in adhering to existing procurement and HR policies and directives, including the requirement that all temporary assignments over six months have an approved business case.

The Ministry is currently undertaking a comprehensive review of the government's temporary help policy. In the context of this review, the Ministry will be providing further direction as to the appropriate use of alternative staffing arrangements. This review will be completed by March 31, 2006. The review will complement our overall objectives to reduce the contingent workforce, where appropriate, as per our labour relations commitments.

ACQUISITION OF TEMPORARY HELP SERVICES

The *Procurement Directive for Goods and Services* states that goods and services shall be acquired

from qualified vendors through a competitive process to meet specific needs and to achieve, at the very least, value for the money expended. The Directive also states that:

- vendor access to competitions for government business shall be open, fair, and transparent;
- conflicts of interest shall be avoided in acquiring goods and services, and in resulting contracts;
- vendors shall not be permitted to gain a monopoly for a particular kind of work; and
- relationships shall not be created that result in continuous reliance on a particular vendor.

Competitive Acquisition

In 1999, when the government did not renew standing agreements with a number of temporary help agencies, ministries were informed that they were to acquire temporary help services from the private sector through the normal procurement processes. The *Procurement Directive for Goods and Services* specifies that services valued at over \$100,000 require an open competition; services valued between \$25,000 and \$100,000 require ministries to obtain three vendor submissions, bids, or proposals; and for services valued at less than \$25,000, ministries may set their own competitive procurement processes, such as the solicitation of quotes from several vendors, to achieve value for money.

We reviewed the acquisition process at five ministries and found that, regardless of the amount, no competitive process was used for the engagement of temporary help services. Almost 15% of the temporary help service arrangements resulted in payments of more than \$100,000, and all were undertaken without open competition. Another 40% of the arrangements that we reviewed cost more than \$25,000 but were done without vendor submissions, bids, or proposals. In many of the engagements we reviewed, costs were expected to exceed the \$25,000 and \$100,000 competi-

tion thresholds even before the assignments were awarded. The assignments under \$25,000 were sole-sourced without receiving quotes from other vendors. Overall, over the past five years, this could have amounted to tens or even hundreds of millions of dollars being awarded without any competitive processes in place. Consequently, there is no assurance that temporary help services were acquired at the best price or that ministries achieved value for money. For example, one fee-for-service assignment involved consultants hired without competition at daily rates of \$990, \$550, and \$470, to act as project lead, project manager, and data co-ordinator, respectively. The total cost of the assignment was \$432,000, well beyond the \$100,000 threshold for a mandatory open competition.

By definition, temporary help assignments are supposed to be short-term in nature. However, we found that many were multi-year engagements that should have been subject to a competitive tendering process. Disclosures by one ministry under the union grievance process indicated that 44% of temporary help assignments either were ongoing or had unknown end dates.

Contracting

The *Procurement Directive for Goods and Services* requires that the ministry and the vendor sign a written contract formally defining the responsibilities of both parties before the supply of the goods and services commences.

We noted that for almost all of the temporary help service arrangements we tested, there were no signed contracts. Ministry staff did not request signed contracts or written agreements from temporary help agencies. Agencies occasionally sent a letter confirming the name of the individual, the start date, and the rate charged. However, there was generally no documentation outlining the nature of the assignment, the expected duration, or other details such as controls over rate changes.

Figure 3: Comparison of Temporary Help Agency Hourly Rates

Source of data: Audited ministries

Job Classification	Minimum Rate (\$)	Maximum Rate (\$)	\$ Difference	% Difference
office and administrative assistant – class 8	17.75	32.56	14.81	83
office and administrative assistant – class 9	20.18	39.00	18.82	93
systems officer – class 2	24.55	62.07	37.52	153
systems officer – class 4	24.55	44.83	20.28	83

Furthermore, we noted that the invoices for some vendors outlined a disclaimer of responsibility and an apparent assumption of liability by the ministry. The *Procurement Directive for Goods and Services* states that ministries must consult with legal counsel regarding procurement documents to help ensure that the government's interests are protected.

Comparison of Temporary Help Services Costs

We attempted to determine whether the rates charged for temporary services in our sample were reasonable by comparing the rates for similar services charged by different agencies. We noted significant differences between agency rates. Ministries might have obtained similar services at a better price had they compared rates among suppliers. A sample of those differences is contained in Figure 3.

We also compared the rates paid for temporary help staff from outside agencies with the salaries and benefits that would have been paid to government employees, and found that overall, temporary help was more expensive. Some temporary-agency staff that we reviewed were paid considerably more than comparable government employees. For example, one temporary help employee was paid \$125 per hour when a comparable government employee would earn only \$60 per hour, including benefits.

Potential Conflicts of Interest

The *Procurement Directive for Goods and Services* requires ministries to include provisions in their procurement documentation that define potential conflicts of interest, and require prospective vendors to declare any actual or potential conflicts. Since the ministries we tested generally did not require vendors to submit written proposals or sign contracts, the ministries could not provide any evidence that the vendors they engaged to provide services were not in a conflict of interest.

We noted that during the 2003/04 fiscal year, one vendor was paid \$10.5 million, including almost \$4 million from the former Management Board Secretariat. A corporate search revealed that a former employee in the human resources department of the Secretariat was the president and director of this agency. Many temporary help staff from this vendor that we selected for review were paid more than comparable government employees—in some cases, substantially more. Another agency collected almost \$700,000 from the Ministry of Health and Long-Term Care during the 2003/04 fiscal year. We were informed that a former employee of this ministry was the president and director of this agency. In both cases, the ministries that engaged these two agencies said that they assumed that the former employees owned the businesses, but neither agency was asked to supply any details to verify that there were no perceived or actual conflicts.

There is a risk that doing significant business with entities run by former government employees, especially those selected without a competitive process, can create a perception of unfair advantage and possible conflict of interest. Currently, none of the ministries we tested have safeguards in place, such as signed written contracts or annual declarations, to guard against such perceived or actual 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.

MINISTRY RESPONSE

The Ministry agrees with the recommendation.

In order to maintain quality delivery of key government programs and services, the Ontario Public Service (OPS) has historically used alternative short-term workforce arrangements where necessary, such as during peak workload periods. The Ministry recognizes that although temporary contracted arrangements are a neces-

sary component in the delivery of services, an appropriate workforce balance and compliance with OPS human resources (HR) and procurement directives must be achieved. To this end, our existing procurement and HR policies and directives provide a comprehensive framework that ministries must follow.

On September 2, 2005, the Ministry provided instructions to ministries to ensure that they are in compliance with the existing *Procurement Directive for Goods and Services* when acquiring temporary help services. In order to support ministries in the procurement of temporary help services, the Ministry is implementing a set of interim management controls, which includes clarifying current policies regarding the appropriate use of temporary help services. In October 2005, the Ministry is launching a tool kit to assist ministries in the procurement process for all existing and future engagements. As well, all ministries will commence a review of existing temporary help services in order to ensure compliance with existing procurement and HR policies and practices.

The tool kit helps ensure that:

- ministries conduct, in accordance with the procurement policy framework, an appropriate competitive process to acquire temporary help services;
- all temporary help services are governed by a written contractual agreement, including the appropriate conflict-of-interest provisions; and
- managers are well supported in their policy compliance efforts by being provided with tools/templates on methods and procedures to be used in acquiring and managing temporary help services.

The Ministry is also developing an overall procurement strategy for temporary help services and will be conducting an open,

competitive procurement process to establish a government-wide, centrally managed vendor-of-record (VOR) arrangement for temporary help services. This VOR arrangement will ensure that ministries obtain competent, qualified, and skilled temporary help services at the best price. It is expected that the arrangement will be in place by winter 2006. In the meantime, ministries will be required to adhere to the interim controls and comply with existing procurement and HR practices to ensure that the best price is obtained for the taxpayer. All ministries will be required to use this VOR arrangement, which ensures that vendors of temporary help services doing business with the government have a written contractual agreement, including the nature of the assignment, the expected duration, cost, and standard provisions that are in all government contracts to prevent conflict of interest.

As part of the implementation of the VOR arrangement, the Ministry is undertaking a comprehensive education initiative to ensure that managers across all ministries are aware of the procurement requirements for temporary help services. The Ministry is also working with Internal Audit to seek its assistance to assess whether ministries have put in place controls and other tools to ensure that they are compliant with both procurement and temporary help policies.

Use of Former Government Employees

At each of the five ministries tested, we noted that former government employees had been hired back through temporary employment agencies. In total, 20% of temporary agency staff tested were former government employees, and half of those were retirees who were receiving a government pension. Ministry staff informed us that they prefer to use

former government employees because they require less training and are familiar with government processes.

However, the *Public Service Pension Act* and the *Ontario Public Service Employees' Union Pension Act* stipulate that any former member of the Ontario Public Service receiving a pension who, in the opinion of the pension board, is re-employed or engaged in any capacity by the government shall have his or her pension reduced. Engagement by the government could include working for third-party corporations if the pension board determined that the substance of the arrangement was in effect the re-employment of the individual.

The pension reduction limits the retiree's combined incomes from pension and re-employment to the amount he or she was making just prior to retiring as a public servant. We were informed that these requirements exist to prevent individuals from receiving a full pension and a government paycheque at the same time. The pension boards informed us that they rely on ministries to notify them if pensioners return to work. We understand the practical difficulties a central government ministry would have in collecting such information from government-wide sources. Nevertheless, the *Pension Benefits Act*, which applies to all Ontario pension plans, requires that the employer provide any information necessary for the purposes of complying with the terms of the pension plan.

We estimated that 80% of the former employees in our sample who had returned as temporary help would be subject to the pension reduction. However, when we followed up on two-thirds of them, we found that neither the responsible ministries nor the former employees had reported temporary help earnings to the pension board.

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.

MINISTRY RESPONSE

The Ministry takes the need for compliance with pension legislation seriously and works closely with the Ontario Pension Board and the OPSEU Pension Trust to ensure that we are meeting our obligations as sponsor of the pension plans and as employer.

Section 26 of the Public Service Pension Plan (a schedule to the *Public Service Pension Act*) provides the basis for our responsibilities as employer when re-employing a pensioner member of the Public Service Pension Plan. Similarly, Article 13 of the OPSEU Pension Plan provides guidance vis-à-vis members of the OPSEU plan.

These provisions are intended to limit the earnings of a member who is receiving a pension or limit individual members from receiving a pension while being employed or engaged by an employer who contributes to the plans. The practice of the Ontario Pension Board and the OPSEU Pension Trust has been to require individual plan members to report a situation of re-employment or re-engagement. With respect to the employer reporting individual members to the pension plans, privacy concerns must be taken into consideration when contemplating the collection and/or provision of information to third parties such as the pension boards. In addition, every effort is made by the pension boards to inform retirees of their responsibilities with respect to re-employment.

The Ministry will continue to work with the Ontario Pension Board and the OPSEU Pen-

sion Trust to identify information needs. The Ministry will work with the Ontario Pension Board and the OPSEU Pension Trust to determine the feasibility of their developing procedures regarding the collection and reporting of relevant information. Privacy legislation and operational requirements will be considered in all decisions.

Temporary Employees Acquired with Transfer-payment Funds

Secondments are the transfer of staff from ministries or broader public-sector organizations to temporary assignments with another government ministry or organization. The secondment of staff from other organizations can provide government ministries with needed expertise and policy advice. We found that more than 200 temporary employees were secondments from outside entities, such as hospitals and universities, that receive transfer-payment funding from the province. The Ministry of Health and Long-Term Care engaged two-thirds of these individuals.

We tested a sample of secondments at the Ministry of Health and Long-Term Care from organizations receiving transfer-payment grants and found that 67% of the individuals tested had not been employed by these organizations, which were primarily hospitals, prior to their secondments. Often the Ministry would recruit an individual, request that the transfer-payment organization employ the individual, and increase the transfer-payment funding to cover the cost. In some cases, the agreements with the entities clearly stated that individuals were being hired by the outside organization solely for the purpose of facilitating secondments to the Ministry. As well, in most cases the related salary and benefit costs were recorded as transfer-payment grants for the operation of hospitals, whereas most of these individuals were working as ministry staff

in various other program areas throughout the Ministry.

While these other program areas were generally under the same vote and item as hospital grants and therefore were technically in compliance with the legislative spending authority under the *Supply Act*, recording these expenditures as hospital operating grants did not meet Public Accounts reporting requirements that expenditures be recorded to the appropriate program and salary and benefits expenditure classifications. We also found that secondments were often not temporary: 10% of the individuals tested had been with the Ministry for more than five years, and two of them for 10 or more years. Furthermore, we found that approximately half of the seconded employees we reviewed were being paid more than government staff performing similar duties. For example, one individual was being paid \$315,000 annually, compared to a maximum of \$160,000 for an equivalent government employee. In addition, we found instances of individuals who earned over \$100,000 whose salaries were not disclosed publicly as required by the *Public Sector Salary Disclosure Act, 1996*.

An internal audit of one program in 2003 raised concerns regarding such secondment arrangements and recommended that the Ministry of Health and Long-Term Care fill the positions with regular permanent employees. In response to the audit report, the Ministry indicated that it would make these positions permanent, subject to the availability of salary dollars in its budget. Since that time, however, the overall number of secondments ministry-wide has increased, from approximately 100 in 2003 to 150 in 2004.

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 Govern-

ment Services should work with senior ministry managers to develop specific policies and procedures with respect to secondments from transfer-payment organizations.

MINISTRIES' RESPONSES

Ministry of Government Services

The Ministry will work with the appropriate ministries to review existing transfer-payment secondment policies and procedures and make recommendations on improvements where necessary.

Ministry of Health and Long-Term Care (MOHLTC)

Health care in Ontario and Canada has evolved significantly over time. In particular, advancing health technologies, increasingly sophisticated diseases, and health human resources shortages are three high-demand specialized issues. The critical nature of these issues often requires immediate response and attention.

It is no longer accurate to see a sharp division between MOHLTC and health-care providers, with MOHLTC developing policy and the health-care providers acting in accordance with ministry policy. A new relationship between MOHLTC and health-care providers has evolved, whereby a strong partnership has benefited both policy development and health-care delivery. These benefits have been achieved by the movement of staff between the partners through secondment arrangements. These secondments have strengthened both policy development and the implementation of key initiatives to improve the operations of health-care providers.

It is MOHLTC's position that all the funding in this vote has been spent to strengthen and improve the health-care system. However, in reviewing the accounting for these individuals as it relates to the Public Accounts, it was noted that several charges had been made to the

wrong account in error. An adjusting entry will be made in this fiscal year for those charges that were made to other accounts to ensure compliance with the reporting requirements. These are not of a material nature.

MOHLTC will:

- establish interim accountability measures to centralize approval processes and reduce the number of transfer arrangements;
- immediately review all existing transfer-payment arrangements to ensure that secondments from transfer-payment organizations are properly accounted for;
- disclose transfer-payment partners' salaries, as required; and
- adjust account reporting as required and implement controls to ensure consistent reporting in the future.

MANAGING THE USE OF TEMPORARY HELP

The *Procurement Directive for Goods and Services* states that all ministries are responsible for establishing appropriate organizational structures, systems, policies, processes, and procedures to enable the responsible and effective management of the procurement of goods and services. The directive also states that vendor performance must be managed and documented, and any performance issues must be resolved.

Managing Temporary Help Services

As would be expected, temporary help who did not meet performance standards were sent back to their agencies and replaced. However, performance assessments were not prepared for temporary help agencies or most of the employees they assigned to government ministries. The *Procurement Directive for Goods and Services* requires vendor perform-

ance to be assessed at least annually. A performance appraisal of the temporary help agency and its employees would facilitate the assessment of the quality of work and suitability of the agency or employees of that agency for future work.

We noted that one ministry, Community and Social Services, required temporary help employees to sign the same oath of office and secrecy required of all government employees. However, confidentiality declarations were made by only half the temporary staff tested at the other four ministries. Temporary employees often have access to highly sensitive personal and government information. Since January 2005, the Attorney General has required all ministry personnel, whether permanent or temporary, to undergo an extensive background check. Subsequently, three temporary help employees who failed the checks were dismissed.

Payments to Temporary Help Agencies

Most of the payments that we selected for testing consisted of invoices and timesheets completed by the temporary help employee and signed by ministry staff as verification of the hours worked. However, as noted previously, in almost all of the temporary assignments we reviewed, no contract or purchase order was in place outlining the nature of the assignment, the expected duration, and the cost. Some of our specific concerns were as follows:

- The *Procurement Directive for Goods and Services* states that contract prices must not change when vendor costs increase unless the ministry has changed the basic terms and conditions of the contract. The ministry must give approval in writing before prices are altered. However, we noted instances where rates changed during the term of the temporary help assignment. In some cases, the rates changed because the temporary employee's responsibilities changed. But in most cases, there was no change in the nature of the services provided, and there was no evidence

that the ministries had approved the rate changes in advance.

- One temporary help employee was paid almost \$130,000 to work with municipalities to help them access a provincial computer system. However, payments were made without written confirmation from the municipalities that the hours had been worked and the invoiced services had been provided.
- We noted many errors in recording consulting services as temporary help, and many other cases where temporary help was recorded as either consulting services or transfer payments. Consequently, any decision-making based on this information for ministry or government-wide management and control purposes may be flawed.

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.

MINISTRY RESPONSE

The Ministry agrees with the recommendation of the Auditor General.

In order to maintain quality delivery of key government programs and services, the Ontario Public Service (OPS) has historically used alternative short-term workforce arrangements where necessary, such as during peak workload periods. The Ministry recognizes that although temporary contracted arrangements are a necessary component in the delivery of services, an appropriate workforce balance and compliance with OPS human resources (HR) and procurement directives must be achieved. To this end, our existing procurement and HR policies and directives provide a comprehensive framework that ministries must follow.

The previously mentioned tool kit will provide clear direction to ministries regarding the documentation of performance of vendors.

The government-wide vendor-of-record (VOR) arrangement will include clear directions to ministries on how to use the arrangement, including the requirement for additional competition when the planned work is estimated to be valued at \$25,000 or more. As well, the VOR arrangement will require that all temporary help agency staff be pre-assessed on competencies, qualifications, and skills, and that all requisite background checks, confidentiality requirements, and security checks be completed in accordance with government policy. All vendors will be required under the master contract with the Ministry to ensure that they are in compliance with all legal and policy confidentiality requirements.

The Ministry has improved the controls of the payment process through full implementation of an enterprise-wide financial control system and training on the associated payment process verification controls. Proper accounting

and documentation procedures required to process temporary help services expenditures have been communicated and will be monitored annually for compliance.

GOVERNMENT-WIDE TEMPORARY HELP SERVICES POLICIES

Assessing Alternatives to Temporary Help

The Ministry of Government Services is responsible for co-ordinating government-wide initiatives to achieve improvements in the planning, acquisition, and management of goods and services. Ministries are required to consider and document alternative ways to satisfy their needs, and select the most appropriate option.

Alternatives for providing temporary help employees were last considered in 1996, when the government was contemplating cancellation of—and ultimately cancelled—its in-house pool of temporary staff, managed by the former Management Board Secretariat and called GO-Temp. Options considered at that time included continuing with GO-Temp, allowing programs to hire temporary staff from temporary help agencies through normal procurement practices, or setting up vendor-of-record (VOR) arrangements in the Greater Toronto Area only.

The government chose the VOR option, a procurement arrangement based on a fair, open, transparent, and competitive process that authorizes qualified vendors to supply goods or services based on terms and conditions set out in the VOR agreement. Such a vendor list helps ministries achieve efficiencies because much of the work of identifying prospective suppliers and evaluating their rates and credentials is done at periodic intervals rather than every time a contract is tendered.

Beginning in 1997, the VOR process resulted in the selection of 20 vendors that would supply tem-

porary help for 69 job classifications. However, this VOR agreement expired in 1999 and was not renewed. At the time of our audit, there was no VOR established, either government-wide or by individual ministries, for the acquisition of temporary help services.

The reasons given for the cancellation of GO-Temp were to realize cost savings, reduce the size of the government, and provide business opportunities to the private sector. At the time of our audit, and nine years after the GO-Temp alternative was cancelled, the government had not done any analysis to determine whether these objectives were met. In addition, since the 1996 review of GO-Temp services, neither the former Management Board Secretariat nor the ministries we reviewed had formally analyzed alternative options for staffing temporary assignments. Our research into other Canadian jurisdictions indicated that three jurisdictions in Canada use an in-house pool of temporary staff. The federal government and Manitoba restrict their in-house pool to clerical and administrative personnel, while Nova Scotia maintains a diversified pool of skilled staff. Given that it has been almost 10 years since temporary help staffing was last reviewed and \$40 million to \$50 million is being spent annually, an analysis of the cost effectiveness of the current approach may be warranted.

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.

MINISTRY RESPONSE

The Ministry agrees with the recommendation of the Auditor General.

A major component of the Ministry's mandate is the renewal and revitalization of human resources in the Ontario Public Service (OPS). From this perspective, the work was begun in 2004 by the Centre for Leadership and Human Resource Management. The Ministry is developing a strategy to review human resources (HR) policies and practices to ensure that workforce planning in the OPS reflects modern HR practices.

As part of our ongoing review of the vendor-of-record (VOR) arrangement, its effectiveness and usage will be monitored. As well, an analysis of the VOR arrangement will be undertaken to identify future improvements that can be made to the approach in order to enhance effectiveness, efficiency, and the identification of additional value-for-money considerations.

Workforce Planning

The Ministry of Government Services is responsible for monitoring and assessing the effectiveness of human resources management policies that apply across the Ontario Public Service. As of March 31, 2005, the provincial government employed 65,000 public servants hired under the authority of the *Public Service Act*. The government supplements its workforce with, in addition to public servants, people from temporary help agencies, fee-for-service staff, external consultants, transfer-payment-agency employees, and others. However, the Ministry could not provide an estimate of the number of such people engaged to perform work for the government. In addition, although the Ministry could not attest to the accuracy or completeness of the information it provided to us, we estimate that there were roughly 4,400 people engaged to perform work for the government who were not public servants.

Given the large number of such employees in the government, staffing decisions involving this group

should be integrated into overall staff management plans. We reviewed the latest available human resources management plans for all government ministries and noted that they did not integrate non-government employees into their ministry staff management plans.

In August 2003, a government-wide hiring freeze was announced as part of an \$800-million expenditure reduction plan. In December 2004, the hiring freeze was replaced by permanent hiring controls. However, the substantial use of temporary help workers may distort overall staffing numbers and defeat the purpose of hiring controls, which is to reduce expenditures.

In addition, while the Ministry of Government Services is required to track the actual number of public servants, it does not have reliable information on the number of approved staff and resultant vacancies. Without such information, it is not possible to determine if ministries are over or under their approved staff complement. Without reliable data on approved ministry staffing or the number of temporary workers, it is difficult to make informed staffing decisions, especially for the government as a whole.

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.

MINISTRY RESPONSE

The Ministry agrees with the importance of effective workforce planning and having processes in place that will support this goal. In fact, continually improving workforce planning is a priority in the Ontario Public Service (OPS).

To this end, the government has converted 590 positions that were previously filled by contracted workers into full-time-equivalent (FTE) positions. The OPS is a large, complex organization. Alternative workforce arrangements are needed to deliver our mandate, including the need to bring in temporary help and/or specialized skills. The \$43 million spent on temporary services during the 2003/04 fiscal year constitutes approximately 1% of overall salary costs for the OPS.

As well, improved workforce planning in the last few years has assisted in reducing the OPS's reliance on temporary help and fee-for-service consultants. Over the past three years, expenditures on temporary help services have declined 24%, from \$52.4 million in the 2002/03 fiscal year to \$40 million in 2004/05. We expect this trend to continue.

In December 2004, the government instituted permanent hiring controls to ensure that appropriate accountability is in place for staff-

ing activities, fiscal responsibility is maintained, and the size of the OPS is appropriate given fiscal realities and the delivery of priority services. The controls included the introduction of an FTE limit for each ministry that is approved through the annual results-based planning process. The OPS has further demonstrated effective workforce planning through our business planning process, whereby ministries can seek approvals to convert budget from fee-for-service contractors into FTEs, given appropriate business rationale. In addition, our most recent collective agreement with our largest bargaining agent has a provision both to examine what the appropriate classified/unclassified staff balance should be and to reduce, year over year, the reliance on our unclassified workforce. These actions demonstrate our commitment to ensuring an appropriate workforce balance taking into account business needs, collective agreement provisions, and emerging priorities.