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Main points

We assessed the adequacy of the Ministry of Health's processes to buy information technology (IT) services (including IT consultation, oversight, and development and testing of programs and processes). The Ministry needs strong buying processes to ensure it receives quality services at the best value without becoming dependent on any one source of supply. We concluded that the Ministry did not have adequate processes to buy IT services for the period from January 1 to December 31, 2009.

The Ministry needs to establish a process to provide feedback to unsuccessful vendors and deal with vendors' disagreements. It also needs to ensure all requests for proposals for specific IT expertise and services include complete criteria for evaluating those proposals and use consistent documentation for selecting vendors. In addition, the Ministry must use its own employees to hire employees of IT vendors (contract staff), properly oversee its contract staff, and assess and record vendors' performance.

We make eight recommendations for the Ministry to help strengthen its processes.

Introduction

The Ministry of Health (Ministry) facilitates the development, coordination, and use of information and technology solutions to support continuous improvements in delivering health care in Saskatchewan. The Ministry does so through its branch called the Health Information Solutions Centre (HISC). HISC develops and integrates health care information systems, supports the use of information for health care planning and accountability, and manages the provincial network that links health regions, facilities, and agencies.[1]

Our 2009 Report – Volume 3 reports the results of our audit of the Ministry for the year ended March 31, 2009. This chapter reports the results of our audit of the Ministry's processes to buy information technology services for the period from January 1 to December 31, 2009.

The Ministry manages the Saskatchewan Health Information Network (SHIN), a Crown corporation. SHIN does not have any employees. The Ministry uses SHIN to develop information technology (IT) systems and provide IT services through private sector vendors. Through SHIN, the Ministry makes all requests for proposals (RFPs) for IT services and makes contracts with vendors in SHIN's name. During 2009, SHIN made agreements totalling $3.4 million and had $22 million of continuing agreements to buy IT services from vendors for the Ministry. In 2009, the Ministry's IT branch had 94 full-time employees and 175 employees of vendors (contract staff).

The Ministry needs strong buying processes to ensure it receives quality services at the best value without becoming dependent on any one source of supply. Inadequate processes increase the risk of waste of resources, delays in service delivery, and inferior services.

If buying practices are not fair, transparent, and competitive, or are perceived to be so, the Ministry could lose public confidence, reputation, and future access to quality services.

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[1] http://www.health.gov.sk.ca/about-hisc.

Audit objective, criteria, and conclusion

The objective of this audit was to assess the adequacy of the Ministry's processes for the period from January 1, 2009 to December 31, 2009 to buy IT services. IT services include services relating to IT consultancy, oversight, and development and testing of programs and processes.

To conduct this audit, we followed *The Standards for Assurance Engagements* published by The Canadian Institute of Chartered Accountants. To evaluate the Ministry's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. The Ministry's management agreed with the criteria (see Exhibit 1).

Exhibit 1—Audit criteria

To have adequate processes to buy IT services, the Ministry of Health should:
1. Define the need and specifications for required services
2. Obtain proposals fairly
3. Select suppliers fairly for required services
4. Monitor performance of the process to buy

We concluded that, for the period from January 1, 2009 to December 31, 2009, the Ministry of Health did not have adequate processes to buy IT services.

Detailed findings and recommendations

In this section, we set out our expectations *(in italics)*, findings, and recommendations by criterion.

Define the need and specifications for required services

We expected the Ministry to define its needs in sufficient detail for understanding and define its specifications to encourage open and effective competition. We expected the Ministry's requirements would include matters like deliverables, delivery dates, and conflict of interest rules. We expected those requirements would be consistent with government policy.

As we state earlier, the Ministry uses SHIN to acquire information technology (IT) products and services. Because SHIN is a Crown corporation, it is exempt from the provisions of *The Purchasing Act.* All government agencies that are subject to *The Purchasing Act* must work with the Ministry of Government Services to buy supplies including services. Working with the Ministry of Government Services helps ensure that purchasing processes are transparent, fair, and competitive.

The Ministry has adequate processes for defining the need and specifications of required services from vendors. Its policies require employees to clearly describe what they need and why, and provide sufficient details to enable preparing RFPs if the Ministry needs to seek bids from vendors. Employees must also describe the deliverables and delivery dates for IT services.

The Ministry requires employees to follow established policies relating to conflict of interest when suggesting possible vendors for the services. The purchase requests must be properly approved.

In summary, the Ministry has adequate processes to define the needs and specifications for required services.

Obtain proposals fairly

We expected the Ministry to obtain proposals fairly by identifying feasible sources of services needed and obtain authorization to initiate proposals. We also expected the Ministry to give equal and fair treatment to potential suppliers.

The Ministry obtains proposals in two stages: RFPs for prequalification (called consulting services supply arrangements) and RFPs for specific projects (called requests for resources).

Once every three years, the Ministry seeks proposals (prequalification RFP) from vendors to pre-qualify for future specific projects or supplies. The latest RFP was in 2008 and that RFP was open to all vendors throughout Canada. To help ensure maximum response, the Ministry published this RFP on www.SaskTenders.ca, a public website that is accessible to vendors throughout Canada.

The prequalification RFP sets out the purpose, expertise required, response due date, evaluation criteria, weighting scheme, and minimum points required to pre-qualify for future work. The RFP includes terms and conditions relating to important matters (e.g., confidentiality of information, conflict of interest). The RFP describes that vendors need to score a minimum of 72 per cent to pre-qualify for future specific projects. The RFP provides sufficient details to vendors to make their submissions. The Ministry advises only those vendors who are successful in securing the RFP. However, the Ministry does not always provide unsuccessful vendors debriefing of their proposals and ranking. Nor does the RFP set out an appeal mechanism in case of complaints from vendors. When vendors do not know their evaluation score, they perceive the evaluation processes as not fair or competitive.

Lack of fair, competitive, and transparent processes, or a process that is perceived to be not fair and competitive, increases the risk of loss of public confidence, reputation, and future access to quality services.

The second stage RFPs contain details of required specific expertise or services, timeframe, expert's profile, and experience support. The Ministry sends these RFPs to only pre-qualified vendors. The second stage RFPs do not describe the Ministry's complete evaluation criteria for awarding the work. The Ministry has not established guidance for evaluating the proposals received and documenting the decisions. Nor did the Ministry always document how it communicated the evaluation results to unsuccessful vendors.

Management told us that to obtain the specific expertise or services the Ministry reviews the profiles of experts the vendors proposed and interviews the selected experts. The documentary evidence of reviews of profiles and the interview process was not always available.

An update to the Ministry's policy manual dated March 2010 states the processes to buy services should be fair and transparent. However, it provides no guidance how to achieve this objective in evaluating RFPs.

Lack of documented processes to evaluate proposals increases the risk of waste of resources, delays in service delivery, and inferior services.

1. **We recommend the Ministry of Health establish a process to debrief unsuccessful vendors on their information technology proposals.**

2. **We recommend the Ministry of Health establish an appeal mechanism to deal with vendors' complaints/disagreements.**

3. **We recommend the Ministry of Health establish processes to ensure all requests for proposals for specific information technology expertise or services include complete criteria for evaluating those proposals.**

Management told us that the Ministry has revised the IT policy manual effective April 2010 requiring changes to RFPs processes and setting up a process of vendor debriefing and an appeal mechanism.

Select suppliers fairly for required services

We expected the Ministry to select suppliers fairly for required services by evaluating all proposals for best value (e.g. use the same process for all proposals–evaluate price, quality, delivery, service, warranty). We also expected the Ministry to obtain appropriate approval to buy services and to inform bidders of the purchase decision.

As we stated earlier, the Ministry does not have adequate process to evaluate proposals for specific expertise or services. The Ministry needs to set up a standard process to evaluate all proposals, inform all vendors about the standard process, and debrief vendors when they were not successful.

The Ministry did not use consistent evaluation documentation for each specific project proposal. Some proposals had adequate support for selecting certain vendors but such documentation was not available for all selected proposals. Management told us that the Ministry uses an interview process to evaluate proposals and that one of its employees participates in that interview to ensure fairness and consistency of evaluation. However, as we state earlier, documentary evidence of the Ministry's reviews of profiles of experts and the interview process was not always available.

4. **We recommend the Ministry of Health use consistent evaluation documentation for selecting vendors for specific information technology expertise or services.**

Directors or project managers evaluate proposals received from various vendors for their projects. Often, these directors/project managers are vendor employees. Directors/project managers then staff their projects using the Ministry's employees or employees of vendors as needed. As we stated earlier, many of the directors/project managers are themselves vendor employees (contract directors/project managers) and often hire individuals from their own organizations (contract staff) to staff their projects. The directors/project managers supervise the contract staff, assess their performance, and recommend approval of payments for their services. This puts the contract directors/project managers in a conflict of interest. During our audit period, about 17% of proposals resulted in contract directors/project managers supervising staff hired from their own organizations.

The Ministry must corroborate the receipt of services using other independent sources (e.g., independent expert) when the individuals recommending payments for approval are employees of the same vendors. As we stated earlier, some vendor employees at the Ministry supervised vendor employees they hired from their own organizations and recommended approval for payments for their services.

Management told us that the Ministry has mitigated the risk of improper payments by requiring the Ministry's senior officials to approve the payment for services. However, documentary evidence of the senior officials' corroboratory efforts was not always available.

To avoid a conflict of interest, the Ministry must use its employees to supervise contract workers or not allow contract directors/project managers to hire contract workers from their own organizations.

5. **We recommend the Ministry of Health use its employees to hire employees of information technology vendors.**

6. **We recommend the Ministry of Health obtain periodic independent updates of projects that are managed and staffed with vendor employees.**

The Ministry makes timely contracts with successful vendors relating to deliverables, delivery timeframe, fee structure, and the maximum fee. The services outlined in the contract are consistent with the services requested in the related RFP.

Monitor performance of the process to buy

We expected the Ministry to obtain timely feedback from users, take internal action on feedback received, and report performance problems to suppliers. We also expected the Ministry to evaluate change requests.

As part of its payment process, the Ministry requires staff to document the receipt of services. The Ministry staff must monitor and confirm that the Ministry received the expected services. However, such confirmation for payment purposes alone is not sufficient to assess the performance of the vendors supplying services. Nor would it be consistent for all vendors because different individuals assess vendors' performance without using a standardized process. As well, some contract directors/project managers supervise contract staff they hire from their own organizations.

The Ministry should establish a standard process for assessing vendors' performance and communicate the process to those who assess vendors' performance. The Ministry should keep track of vendors' performance.

Lack of a standard process for assessing performance increases the risk that the Ministry may continue to use vendors with performance problems. This risk is greater when directors/project managers making contracting decisions are not employees of the Ministry.

7.   **We recommend the Ministry of Health establish adequate processes for assessing information technology vendors' performance.**

8.   **We recommend the Ministry of Health keep records of vendors' performance to help decide future information technology services contracts.**

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