

Chapter 30

Central Services—Processes to Use Consultants

1.0 MAIN POINTS

The Ministry of Central Services (Ministry) uses the services of consultants to help achieve its goals. For the 16-month period ending May 31, 2014, the Ministry's processes to use consultants were not effective. The Ministry needs to:

- › Establish policies to guide:
 - When to use an employee as opposed to hiring a consultant
 - When and how to conduct a final evaluation of a consultant's performance
- › Identify and document, prior to beginning the process of engaging a consultant, the reasons why a consultant is required
- › Improve its agreements with consultants to include:
 - Services to be provided, in sufficient detail to permit evaluation of consultant performance
 - Provisions for monitoring and evaluation
 - Dispute resolution
- › Document reasons for the need to extend a contract with a consultant, prior to extending a contract

2.0 INTRODUCTION

The mission of the Ministry is to use leadership, expertise, and innovative practices to provide services and infrastructure that support the Government's program delivery.¹ The Ministry's mandate includes providing centralized support services to Government ministries and agencies (including providing reliable transportation, providing stable computer networks, acquiring office space, implementing new telecommunications technology, and providing reliable mail and email services), and charging for those services.²

The Ministry uses the services of consultants to help achieve its goals. Typically, consultants provide expertise and necessary human resource capacity for specific periods of time or in relation to specific projects, in areas where an agency's existing resources are not sufficient. This chapter reports the results of our audit of the Ministry's processes to use consultants.

2.1 Background—Using Consultants

Section 15 of *The Government Organization Act* allows the Ministry to engage the services of or retain any technical, professional, or other advisors, specialists or

¹ *Ministry of Central Services Regulations* set out the duties and responsibilities of the Ministry.

² Ministry of Central Services, 2012-13 Annual Report, p. 5.



consultants considered necessary. The Ministry uses consultants in a variety of areas in carrying out its responsibilities.

Over the last six years, the Ministry of Central Services' overall spending on consultants increased 168% to approximately \$22 million on 83 consultants/consulting firms in 2013-14. Over the same period, spending on technical, specialized, management, and systems consultants for all Government of Saskatchewan ministries has increased 228% (see **Figure 1**) to over \$120 million for the year ended March 31, 2014.

Figure 1—Six-Year Trend of Consulting Expenses (in thousands)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Total Ministry of Central Services*	\$8,087	\$12,344	\$9,462	\$9,615	\$13,747	\$21,696
Total all ministries	\$36,657	\$52,086	\$70,302	\$75,452	\$98,040	\$120,321

Source: Multi-Information Database Applications System – Financials (MIDAS Financials), codes 521100 (Specialized, Technical and Management Consulting) and 521900 (System Consulting).

*Ministry of Central Services – for comparison purposes, this includes information for vote 13 (previously the Ministry of Government Services) and vote 74 (previously the Information Technology Office).

In its 2010-11 Budget, the Government announced a four-year plan to reduce the size of the public service (i.e., staff employed by ministries) by 15% (Workforce Reduction Strategy).³ If there are no policies or effective processes for identifying the need for consultants, specifying required services, and defining projects, then resources may be spent unnecessarily or inefficiently. Failing to properly assess requirements and existing capabilities could result in the use of a consultant when existing staff could complete the project/task, or using a consultant without reasonable justification of the need for a consultant's specialized expertise or services.

If the Ministry does not have processes to retain or transfer needed skills or knowledge, then it may rely on consultants for longer periods at a greater expense than hiring permanent employees. If procurement of services is not undertaken fairly and impartially, the Ministry may not select the most suitable consultant, not achieve intended results, pay more than intended, and not receive the best value. Unfair procurements would damage the reputation of the Government.

There is also the risk that consultants will not be properly monitored and evaluated, and that evaluation information will not be available or used when considering whether to continue using a consultant, or in subsequent service procurement decisions. As a result, the Ministry could end up making poor or unsupported decisions on the use of consultants.

3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to examine whether the Ministry of Central Services had effective processes to use consultants for the 16-month period ending May 31, 2014. The audit focused on the Ministry of Central Services' use of specialized, technical, management, and system consultants.

³ Estimated ministry full-time equivalent staff complement was 12,189.7 in the 2010-11 Estimates (p. 167) and 10,945.5 in the 2014-15 Estimates (p. 155).

We examined the Ministry's policies and procedures that relate to its use of consultants. We examined a sample of the Ministry's agreements and related documents, examined proposal evaluations and tendering documents, reviewed evidence of communications (e.g., emails), and interviewed the Ministry's staff.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. The Ministry's management agreed with the criteria (see **Figure 2**).

Figure 2—Audit Criteria

To have effective processes to use consultants, the Ministry should:

1. **Set policies for the use of consultants**
 - 1.1 Develop and approve policies for the use of consultants
 - 1.2 Update the policies periodically
 - 1.3 Communicate the policies
2. **Identify the need and define the specifications for required services**
 - 2.1 Document the services required in sufficient detail
 - 2.2 Select an appropriate procurement method
 - 2.3 Communicate specifications of the services required for tendering
 - 2.4 Specify other requirements (e.g., criminal record check, disclose potential conflicts, guarantees)
3. **Select consultants using a fair and transparent process**
 - 3.1 Evaluate consultant proposals using established criteria
 - 3.2 Document reasons for the selection of a consultant
 - 3.3 Obtain approvals to engage the selected consultant
 - 3.4 Communicate the results of the procurement
4. **Document the agreement with the consultant and include appropriate provisions**
 - 4.1 Set out the services to be provided in appropriate detail
 - 4.2 Specify the period for the agreement
 - 4.3 Specify the compensation to be paid
 - 4.4 Set out the reporting relationship for the consultant
 - 4.5 Set rules for extensions, follow-up contracts, or changes to the agreement
 - 4.6 Permit the transfer of knowledge and skills to permanent employees, where applicable
 - 4.7 Provide for monitoring and evaluation of the consultant
5. **Monitor the performance of consultants**
 - 5.1 Evaluate consultants during and after the period of the agreement
 - 5.2 Conduct a final evaluation on the use of the consultant
 - 5.3 Use evaluations to assist subsequent decisions regarding the use and selection of consultants

We concluded that for the 16-month period ended May 31, 2014, the Ministry of Central Services' processes for the use of consultants were not effective. The Ministry needs to:

- › Establish policies to guide:
 - When to use an employee as opposed to hiring a consultant
 - When and how to conduct a final evaluation of a consultant's performance
- › Identify and document, prior to beginning the process of engaging a consultant, the reasons why a consultant is required
- › Improve its agreements with consultants to include:
 - Services to be provided, in sufficient detail to permit evaluation of consultant performance
 - Provisions for monitoring and evaluation
 - Dispute resolution
- › Document reasons for the need to extend a contract with a consultant, prior to extending a contract



4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our key findings and recommendations related to the audit criteria in **Figure 2**.

4.1 Policy Required to Guide Hiring of Consultants

The Ministry of Central Services, like other ministries, must follow the *Financial Administration Manual* (FAM)⁴ which sets out and communicates to ministries and selected agencies, Treasury Board policies and Provincial Comptroller directives for the control, management, and accounting of government financial resources. We expected the Ministry to have policies that were consistent with applicable sections of FAM, addressed when to use an employee as opposed to a consultant, helped ensure that there were no conflicts of interest, and helped ensure that an employee/employer relationship was not unintentionally created. We expected policies to be updated periodically and that they would be communicated to the Ministry's staff.

The Ministry communicates its policies and guides internally, and also posts some information on its public website, SaskTenders (sasktenders.ca). On this website, the Ministry shares templates, makes applicable legislation readily available, and includes guides, such as the *Guide to Prepare a Request for Proposal* (RFP) and the *Guide to Procurement*.⁵

The Ministry also has documented guidelines, templates, and handbooks for its staff. These documents give staff information and guidance for the use of consultants as well as other types of procurement. The Ministry has processes to regularly update policies and guides.

However, the Ministry did not provide its staff with guidance on determining when it is appropriate to seek a consultant's services as opposed to using in-house resources (such as employees) to address the same need. Such guidance could include analysis of cost-benefits of each arrangement over the term of the service, and consideration of the need to maintain in-house knowledge/expertise, time constraints, and sensitivity of the services to be provided. Without this guidance, there is a risk that the Ministry could establish a consulting relationship that is not necessary or not appropriate in the circumstances. Furthermore, without such guidance, the Ministry is at risk of spending more on consultants than it would by acquiring similar skills through hiring and training employees.

- 1. We recommend that the Ministry of Central Services establish a policy that guides when to use an employee as opposed to hiring a consultant.**

⁴ www.finance.gov.sk.ca/fam/toc (25 September 2014).

⁵ These guides provide information for ministries and public agencies on authorities and processes for procurement.

4.2 Identify and Document Reasons for Hiring Consultants

We expected the Ministry to document the consulting services required in detail, select an appropriate procurement method, communicate the specifications of the services required for tendering, and specify any other requirements as necessary.

The Ministry documented appropriate justification for the procurement methods chosen when it sought consultant services. It used different procurement methods depending on the services sought. These included requests for proposals (RFPs), sole-sourcing, use of the Ministry's Advanced Contract Award Notice (ACAN), and "callouts" to pre-qualified supplier lists. See **Figure 3** for brief descriptions of these methods.

Figure 3—Brief Description of Selected Procurement Methods

Request for Proposal:

A request for proposal or request for quotation are open invitations to suppliers inviting them to submit bids for supplying specified goods and/or services.

Sole-Sourcing:

Where there is only one possible vendor.

Advance Contract Award Notice (ACAN):

Where notices are posted on SaskTenders to formally notify suppliers of the Ministry's intention to award a contract to a selected supplier without a competition. The Ministry must post ACANs for a minimum of 10 business days to give suppliers an opportunity to challenge the use of an ACAN.

Callouts:

A "callout" is when the Ministry seeks to contract for services from its list of pre-qualified suppliers. To establish the Ministry's pre-qualified supplier lists, the Ministry:

- › Sends out requests for proposals for specific services for which the Ministry anticipates it will need contractors
- › Evaluates these proposals
- › Communicates the results to both successful and unsuccessful candidates

When resources are needed, the Ministry sends out a specific request, or "callout" to the pre-qualified vendors, that includes details of the services to be provided. Vendors submit resumes, and the Ministry conducts an evaluation that includes interviews, in order to determine the successful candidate.

Source: Provincial Auditor Saskatchewan based on information from the Ministry.

Where its selected procurement method required an advertisement, the Ministry appropriately communicated the specifications for the services that were being sought, and included other information such as requirements for criminal record checks. However, we found that over 70% of the contracts with consultants that we tested did not document why a consultant was preferred over using in-house resources. For example, we tested one contract for application development services for a maximum of \$183,000 over one year, and one contract for providing project management services for a maximum of \$930,000 over three years, that did not have documentation explaining why a consultant was needed rather than using in-house resources. When we discussed the contracts without the expected documentation, management provided explanations for why most consultants were needed (e.g., resources with required skill sets were not available in-house). These rationales did not explain the decision to hire a consultant versus hiring an in-house resource. The Ministry should document such justifications prior to entering into contracts.



Not assessing the need for use of a consultant, and not documenting this assessment prior to engaging a consultant increases the risk that hiring a consultant is not necessary or the most cost-effective approach.

2. We recommend that the Ministry of Central Services identify and document, prior to beginning the process of engaging a consultant, the reasons why a consultant is required.

4.3 Need to Communicate Information on Procurement Decisions

We expected that the Ministry would have processes to evaluate candidates using established criteria, would document the reasons for selecting a particular consultant, and would obtain approvals to engage the selected consultant. We expected that the Ministry would communicate the results of the procurement to both the successful and unsuccessful bidders.

We tested the Ministry's process to evaluate candidates. We found that its process included setting criteria for evaluating consultants' bids or proposals based on the work to be done, using these criteria to assess and rank each proposal, and then choosing the successful candidate(s) based on this assessment. We found that the Ministry used templates to assist it in conducting evaluations of prospective consultants, and that staff used the guides available to conduct these evaluations. After selecting the consultant, the Ministry obtained approvals consistent with its existing policies to engage the selected consultant.

The Ministry consistently communicated results of procurements to successful bidders. Instead of consistently communicating to individual unsuccessful candidates to help them understand why their bid was rejected, the Ministry, through a guide on its public website (www.sasktenders.ca), advised unsuccessful candidates they could contact the Ministry for a debriefing of their proposal. Our testing found that, for 10% of items tested, the Ministry provided debriefing information to unsuccessful candidates.

4.4 Improved Documentation of Agreements Required

We expected that the Ministry would have agreements with its consultants that:

- › Specify the period for the agreement
- › Specify the compensation to be paid
- › Set out the services to be provided in appropriate detail
- › Set out the reporting relationship for the consultant
- › Set rules for extensions, follow-up contracts, or changes to the agreement

- › Permit the transfer of knowledge and skills to permanent employees, where applicable
- › Provide for dispute resolution, monitoring, and evaluation of the consultant

For the sample of agreements with consultants we examined, we found that the Ministry documented the period for the agreement and the compensation to be paid in appropriate detail, and provided for transfer of knowledge and skills to Ministry employees where it was appropriate.

Detail about services to be provided by the consultants should be documented in the agreement and related documents, such as the ACAN or callout. For 17% of the agreements that we tested, there was not an appropriate amount of detail in these documents of the services to be provided. For example, one contract stated that the consultant would “support various applications” but did not list the applications. Not documenting the services to be provided in sufficient detail increases the risk that the Ministry will not receive appropriate or adequate services and will not be able to evaluate the performance of the consultant.

Over 90% of the contracts we examined did not specify the position to whom the consultant was to report to at the Ministry, or specify how consultants would be monitored and evaluated. If agreements do not clearly set out these requirements, there is greater risk that consultants will not be effectively monitored and evaluated (see **Section 4.5**).

Also, the agreements did not include dispute resolution clauses. Without a dispute resolution mechanism, there is an increased risk that disagreements will not be effectively or efficiently resolved.

3. We recommend that the Ministry of Central Services improve its agreements with consultants to include:

- › Services to be provided, in sufficient detail to permit evaluation of consultant performance
- › Provisions for monitoring and evaluation
- › Dispute resolution

The agreements we examined included appropriate provisions for extensions, follow-up contracts, and changes to the agreements. However, in almost one-half of the cases where an agreement was extended, we found the Ministry did not document its rationale to support extending the term of the agreement. Not documenting the reasons for extending the terms of agreements increases the risk that the Ministry will decide to contract for unneeded services or extend agreements with consultants who are not performing at the expected levels.

4. We recommend that the Ministry of Central Services document, prior to extending an agreement with a consultant, the reasons for the need to extend the agreement.



4.5 Need to Guide Evaluation of Consultant Performance

We expected that the Ministry would evaluate consultants during and after the period of the agreement, conduct a final evaluation on the performance of consultants, and use information from evaluations to assist in subsequent decisions regarding the use and selection of consultants.

The Ministry has an informal process to take into consideration past performance of a consultant prior to engaging the consultant for a new project. The Ministry also maintains information on progress of contracts. However, currently the Ministry does not require or do a final written evaluation of the consultant's performance. Not carrying out effective evaluations or not completing evaluations when expected increases the risk that the Ministry may engage consultants with past performance problems which in turn could impact the quality and cost of the services received.

There may be some engagements where a final evaluation would not be necessary. For example, it may not be useful to evaluate a low-dollar, one-time engagement where the Ministry does not expect to use the consultant again.

At May 2014, the Ministry did not require a final evaluation of its consultants. As noted in **Section 4.4**, over 90% of the contracts we examined did not provide for monitoring and evaluation of the consultant. Also, the Ministry did not provide guidance on determining when and how to complete a final evaluation, and how to document it. Not providing such guidance increases the risk that staff may not carry out effective evaluations.

5. We recommend that the Ministry of Central Services establish a policy that guides when and how to conduct a final evaluation of a consultant's performance.

5.0 SELECTED REFERENCES

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