



STAFF REPORT INFORMATION ONLY

TTC Audit Report – Contract Management Review of Information Technology Technical Services Assistance Contracts

Date:	February 19, 2015
To:	TTC Audit Committee
From:	Head of Audit, Joseph L. Kennelly

Summary

This audit was to assess the effectiveness of the administrative controls over the contracting of external staff resources to supplement the TTC's Information Technology Services (ITS) Department and ensure compliance with contract terms.

In September 2010 the City of Toronto initiated a procurement process to select external information technology (IT) placement firms to acquire contract staff required for information technology work assignments. The TTC issued contracts to seventeen IT placement firms selected through the City's procurement process covering the period from September 1, 2011 to December 31, 2013. Subsequently, under the City's second procurement process the TTC issued fourteen contracts with selected placement firms for a total upset limit of \$60 million ending in December 2016.

The results of the audit testing indicate that the transition of contract staff from expired contracts to new contracts issued in April 2014 has been properly handled and documentation is maintained to support the transitions.

However, certain hourly rate discounts for contract staff for work assignments lasting more than one year were not taken. A recommendation has been made for management to review the possibility of pursuing discounts not previously taken, and determine whether cost recoveries can be obtained.

Management agrees and has taken action to implement the recommendation.

Financial Impact

The recommendation in this report has no financial impact.

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Attachments

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TORONTO TRANSIT COMMISSION

**Contract Management Review
of
Information Technology
Technical Services Assistance Contracts**

**Corporate Services Group
Information Technology Services Department**

**Covering Period:
September 2011 to April 2014**

TTC AUDIT DEPARTMENT
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Executive Summary

This audit was to assess the effectiveness of the administrative controls over the contracting of external staff resources to supplement the TTC's Information Technology Services (ITS) Department and ensure compliance with contract terms. A meeting to discuss the findings was held on January 16, 2015 with the Chief Financial and Administrative Officer, and the Head of the ITS Department.

In September 2010 the City of Toronto initiated a procurement process to select external information technology (IT) placement firms to acquire contract staff required for information technology work assignments. The TTC issued contracts to seventeen IT placement firms selected through the City's procurement process covering the period from September 1, 2011 to December 31, 2013. Subsequently, under the City's second procurement process the TTC issued fourteen contracts with selected placement firms for a total upset limit of \$60 million ending in December 2016.

The audit included a review of work assignment documentation issued between September 2011 and April 2014 for a sample of contract staff, and an assessment of the administrative control processes followed to transition contract staff to new contracts issued in April 2014.

The results of the audit testing indicate that the transition of contract staff from expired contracts to new contracts issued in April 2014 has been properly handled and documentation is maintained to support the transitions.

However, certain hourly rate discounts for contract staff for work assignments lasting more than one year were not taken. A recommendation has been made for management to review the possibility of pursuing discounts not previously taken, and determine whether cost recoveries can be obtained.

Management agrees and has taken action to implement the recommendation.

We wish to express our thanks to the ITS Department staff for their cooperation and assistance provided to us during the course of this audit.

Head of Audit

Background

In September 2010 the City of Toronto (the City) initiated a procurement process to select external information technology (IT) placement firms to acquire contract staff required for information technology work assignments. To supplement resources in the TTC's Information Technology Services (ITS) Department, the TTC issued contracts to seventeen IT placement firms selected through the City's procurement process covering the period from September 1, 2011 to December 31, 2013 and later extended to April 30, 2014.

In May 2013 the City began the second procurement process with the TTC participating in the vendor evaluation phase. Subsequently, in April 2014 the TTC issued fourteen contracts with selected placement firms for a total upset limit of \$60 million ending in December 2016.

Audit Scope and Objective

- Scope** - review of the administration controls over the TTC's contract with IT placement firms to acquire contract staff to supplement the TTC's ITS Department for the period from September 2011 to April 2014
- Objective** - assess that the administrative controls over the contracting of external staff resources are effective and ensure compliance with contract terms

Audit Methodology

Audit procedures included the following:

- review of work assignment documentation issued between September 2011 and April 2014 for a sample of contract staff
- assessment of the administrative control processes followed to transition contract staff to new contracts issued in April 2014

Controls Reviewed Found Acceptable

Key Control	Observation
Contract Staff Resumes and Interviews	Submitted contract staff resumes are screened and interviews of potential candidates are conducted in accordance with ITS departmental guidelines.
Work Assignment Requisitions	<p>Work assignment requisitions for contracted staff are prepared in accordance with contractual terms and have evidence of ITS management approval.</p> <p>Initial work assignment requisitions and time extensions have evidence of ITS management approval.</p>
Contract Staff Transitions	The transition of contract staff from expired contracts to new contracts issued in April 2014 has been properly handled and documentation is maintained to support the transitions.
Payments for Hours Billed	<p>Invoices for contract staff services are supported by timesheets and are evidenced for approval by ITS management.</p> <p>Contract staff is paid only for hours worked at agreed upon rates, and excludes statutory holidays, vacation and external training.</p>

Analysis and Recommendation

Finding #1

Cost Control

Objective: To ensure that effective administrative controls are in place which supports the economic use of contract resources acquired.

Analysis: Under the previous contracts prior to April 2014, the placement firms submitted ranges of hourly rates for each contract position, expertise and skills requirements, and an offer of discounts for work assignments lasting more than one year. However, discounts have not been pursued for work assignments extending beyond one year. As a result, potential cost recoveries have not been obtained.

Recommendation: Management should review the possibility of pursuing discounts not previously taken, and determine whether cost recoveries can be obtained.

Management Response and Action Plan:

Review of work assignments lasting more than one year where possible discounts could have applied resulted in discussions with two placement firms, The Ian Martin Group and Bevertec CST Inc. The TTC Legal Department's review of the GTA contract concluded that the provision of a discount is not a mandatory requirement, and the clause concerning the discount is loosely drafted, and therefore, it is almost non-enforceable. The TTC Materials and Procurement Department's review of the contract also concluded that there are no strong directives on how discounts should be applied, nor is there any stipulation of how they are displayed, if at all, on the submission or invoice.

The Ian Martin Group advised, for the three contracts in question, that the discount rates had not been factored in at the beginning of the contract awards; therefore, discounts would not be applied retroactively.

Bevertec CST Inc. was in agreement that a discount should have been applied for two contracts that extended beyond one year. TTC and Bevertec CST Inc. reconciled the hours and amounts, and as a gesture of goodwill, Bevertec CST Inc. will be issuing a cheque to the TTC.

Responsibility: Director - Planning, Resources and Administration

Completion Date: December 31, 2014

Status: Implemented

**Summary of Recommendations, Management Responses
and Action Plans**

Finding #	Recommendation	Agree	Disagree	Management Responses	Completion Date
1.	Management should review the possibility of pursuing discounts not previously taken, and determine whether cost recoveries can be obtained.	X		<p>Review of work assignments lasting more than one year where possible discounts could have applied resulted in discussions with two placement firms, The Ian Martin Group and Bevertec CST Inc. The TTC Legal Department's review of the GTA contract concluded that the provision of a discount is not a mandatory requirement, and the clause concerning the discount is loosely drafted, and therefore, it is almost non-enforceable. The TTC Materials and Procurement Department's review of the contract also concluded that there are no strong directives on how discounts should be applied, nor is there any stipulation of how they are displayed, if at all, on the submission or invoice.</p> <p>The Ian Martin Group advised, for the three contracts in question, that the discount rates had not been factored in at the beginning of the contract awards; therefore, discounts would not be applied retroactively.</p> <p>Bevertec CST Inc. was in agreement that a discount should have been applied for two contracts that extended beyond one year. TTC and Bevertec CST Inc. reconciled the hours and amounts, and as a gesture of goodwill, Bevertec CST Inc. will be issuing a cheque to the TTC.</p>	December 2014