



Veterans Affairs  
Canada

Anciens Combattants  
Canada

**December 2013**

# AUDIT OF HEALTHCARE PROFESSIONAL SERVICE CONTRACTS

Audit and Evaluation Division

**Canada**

### **Acknowledgements**

The audit team would like to gratefully acknowledge the staff of the Procurement, Contract and Asset Management Unit, the Health Professionals Division, the Service Delivery Branch, and the Corporate Services and Human Resources Branch. Their contributions were essential to this audit.

# Contents

|   |            |
|---|------------|
| <b>EXECUTIVE SUMMARY .....</b>  | <b>i</b>   |
| <b>1.0 BACKGROUND .....</b>   | <b>1</b>   |
| <b>2.0 ABOUT THE AUDIT .....</b>  | <b>3</b>   |
| 2.1 OBJECTIVES .....  | 3          |
| 2.2 SCOPE .....   | 3          |
| 2.3 METHODOLOGY .....   | 3          |
| <b>3.0 AUDIT RESULTS.....</b>   | <b>5</b>   |
| 3.1 GOVERNANCE AND RISK MANAGEMENT.....                                     | 5          |
| 3.2 COMPLIANCE .....  | 8          |
| 3.3 PAYMENTS .....  | 9          |
| 3.4 OPPORTUNITIES FOR IMPROVEMENT .....                                     | 10         |
| 3.5 AUDIT OPINION .....   | 11         |
| <b>4.0 DISTRIBUTION.....</b>  | <b>12</b>  |
| <b>APPENDIX A - AUDIT CRITERIA.....</b>                                     | <b>A-1</b> |
| <b>APPENDIX B - RISK RANKING OF RECOMMENDATIONS AND AUDIT OPINION .....</b> | <b>B-1</b> |

## EXECUTIVE SUMMARY

Healthcare professional service contractors are individuals with “significant training, qualifications and expertise in a professional field.” With the support of Public Works and Government Services Canada, these contractors are used to obtain expert knowledge and to complement the existing workforce.

At Veterans Affairs Canada (VAC), these healthcare professional service contractors review or conduct assessments of Veteran’s health needs for services or benefits as well as provide consultation with VAC staff. During the 2012/13 fiscal year, there were 55 healthcare professional service contracts for Occupational Therapists, Nurses, Doctors and a Dentist, excluding those at Ste. Anne’s Hospital.

The purpose of the audit was to provide assurance that the departmental activities relating to healthcare professional service contracts were conducted in compliance with VAC procedures, and TB policies and regulations. Overall governance as well as the payment process were also assessed. Fieldwork was conducted from April to July 2013.

### Overall results

In the opinion of the audit team, the audit results were determined to be “*Generally Acceptable*.” There was a high degree of compliance in all areas tested. All contracts used the appropriate procurement process to seek professional services and 51 of 55 contracts were competitive with well developed evaluation criteria. Additionally, all contracts clearly stated the objectives, requirements, deliverables as well as roles and responsibilities.

The payment process was determined to be accurate and timely. All of the 128 payments reviewed were correct. There was appropriate segregation of duties as well as proper expenditure initiation and account verification. Additionally, 54% of invoices reviewed were paid within two weeks and less than 5% of invoices were paid after 30 days.

In April 2013, the Department’s organizational structure changed to centralize the administration of these types of contracts in Head Office. During fieldwork, some changes were still being implemented, but it is anticipated that these changes will improve the governance and oversight of healthcare professional service contracts. For example, the Contract Review Board now meets regularly, will review all healthcare professional service contracts and will ensure greater consistency between the contracts.

VAC is responsible for providing training to its contractors and this was identified as a weakness in the audit. The Department should ensure contractors receive sufficient training at the beginning of the contract.

Below is the recommendation identified during the audit:

**R1 It is recommended that the Director General, Health Professionals Division, ensures that all healthcare professional contractors receive the required training at the beginning of the contract period. (Essential)**

Original signed by \_\_\_\_\_  
Kim Andrews  
Acting, Chief Audit Executive

November 25, 2013  
Date

**The Audit Team consisted of:**

Jonathan Adams, Audit and Evaluation Director  
Karen Walsh, A/Audit and Evaluation Director  
Bob Parsons, Audit and Evaluation Manager  
Sivajan Nagulesapillai, Audit and Evaluation Officer

## 1.0 BACKGROUND

The Treasury Board (TB) Contracting Policy defines professional services as “services provided by individuals with significant training, qualifications and expertise in a professional, scientific, technical or managerial field.” Professional service contracts are used to obtain expert knowledge and to complement the existing workforce.

Veterans Affairs Canada (VAC) relies on three separate groups, working together, to deliver professional healthcare services to Veterans:

- VAC staff;
- fee-for-service healthcare professionals; and
- healthcare professional service contractors.

Fee-for-service healthcare professionals are Occupational Therapists (OTs) and Nurses. These healthcare professionals are registered as service providers through VAC’s healthcare administrator, Medavie Blue Cross, and conduct assessments of Veterans’ health needs for services or benefits at the Veteran’s place of residence.

Contracted healthcare professionals are OTs, Nurses, Doctors, and a Dentist. These healthcare professional service contractors review assessments of Veterans’ health needs and make recommendations for services or provide advice to VAC staff regarding appropriate services or benefits for Veterans.

The audit examined the 55 healthcare professional service contracts which were in place for the 2012/13 fiscal year. This number excludes any contracts at Ste. Anne’s Hospital. Table 1 presents the number and expenditures, by profession, for the 55 healthcare professional service contractors that were in scope.

| <b>Table 1 - Number of Contractors and Expenditure by Healthcare Profession</b> |                              |                     |
|---|------------------------------|---------------------|
| <b>Healthcare Profession</b>  | <b>Number of Contractors</b> | <b>Expenditure</b>  |
| OTs   | 19                           | \$ 1,920,705        |
| Doctors   | 16                           | \$ 769,982          |
| Nurses  | 19                           | \$ 590,217          |
| Dentist   | 1                            | \$ 9,880            |
| <b>Total</b>  | <b>55</b>                    | <b>\$ 3,290,784</b> |

## Organizational Structure

Prior to April 1, 2013, contractors' workload was managed by area offices. As a result, local Area Directors would identify the need for additional resources and work with Head Office procurement to initiate a contract. The local Area Director, the project authority, was responsible for developing the statement of work. Additionally, the contractors reported administratively and functionally to staff in the area office where they worked.

Head Office procurement was responsible for developing the contract and working with Public Works and Government Service Canada (PWGSC) to seek bids or initiate a non-competitive process<sup>1</sup>. For all contracts that sought bids, PWGSC was the contracting authority<sup>2</sup>. For all non-competitive contracts, VAC was the contract authority. Invoices for contracted services were sent first to the area office for verification, and then forwarded to the finance office in Kirkland Lake for processing the payment.

As of April 1, 2013, reporting structures were changed so that all healthcare professional service contractors began to report administratively to the Health Professionals Division in Head Office and functionally to a local Health Professional in the district office. At the same time, all invoices were sent to the Health Professionals Division before being forwarded to the finance office in Kirkland Lake. The changed reporting structures should be formalized and clearly identify the new roles and responsibilities. This has been highlighted as an opportunity for improvement under Section 3.4.

## Previous audits of contracting

In 2007, an internal audit of contracting<sup>3</sup> was completed which assessed the procurement process for all contracts including healthcare professional service contracts. As a result of this audit, new VAC policies and procedures were developed to better align with TB contracting policy and a new manager's reference guide to procurement and contracting was established.

In 2012, the Office of the Privacy Commissioner conducted an audit of VAC. The purpose of this audit was to determine the extent to which the Department was following the *Privacy Act*. As a result of the Privacy audit, VAC now monitors the contractors' management of Veterans' personal information to ensure compliance and address any privacy risks<sup>4</sup>.

---

<sup>1</sup> For contracts under \$25,000, departments may use a non-competitive process.

<sup>2</sup> The Contracting Authority is the person responsible for all matters related to the procurement and all contractual matters arising from any contracts issued (source: PWGSC Procurement Guidelines).

<sup>3</sup> Report is available upon request.

<sup>4</sup> Privacy Commissioner of Canada. (2012, 10 04). *Reports and Publications - Audit Reports*. Retrieved from Section 37 of the Privacy Act: [http://www.priv.gc.ca/information/pub/ar-vr/ar-vr\\_vac\\_2012\\_e.asp#sec3c4](http://www.priv.gc.ca/information/pub/ar-vr/ar-vr_vac_2012_e.asp#sec3c4)

## 2.0 ABOUT THE AUDIT

### 2.1 Objectives

The objectives of the audit were:

1. To assess the management control framework for contracting healthcare professional services;
2. To assess compliance with VAC procedures and TB policies and regulations; and
3. To assess the verification and monitoring processes for payments to contractors.

The audit criteria relevant to each objective are outlined in Appendix A.

### 2.2 Scope

The scope of the audit included all of VAC's healthcare professional service contracts, excluding the 45 contracts at Ste. Anne's Hospital, from April 1, 2012 to March 31, 2013. It is important to note that the audit team did not assess the performance of contractors or workload management by VAC.

In 2015, the Office of the Comptroller General is planning a horizontal Audit of Procurement across various departments, including VAC. The purpose of this audit will be to assess the governance framework and compliance with TB contracting policies, and identify opportunities to further streamline contracting practices. In order to avoid duplication of effort, the overall procurement process was not an area of focus for this audit.

### 2.3 Methodology

This audit was conducted in conformance with the Internal Audit Standards as outlined by the Institute for Internal Auditors, and is in line with the *Policy on Internal Audit for the Government of Canada*, as supported by the results of the Quality Assurance and Improvement Program.

#### Interviews

Interviews were conducted in person or by telephone with VAC staff responsible for seeking, administering, and managing contracts as well as verifying and processing payments for contractors. The interviews provided an understanding of the roles and responsibilities, key activities, adequacy of internal controls, and governance framework, and identified documents for review.



## On-site Visits

On-site visits were conducted in Halifax, Saint John, Ottawa, Calgary, and Trenton. These on-site visits allowed the audit team to meet in person with staff, examine contract files and conduct walkthroughs of processes.

## Documentation Review

A review of TB and departmental documentation related to contracting for services was performed to determine compliance with TB and VAC policies, procedures and regulations. Some examples of key documents reviewed include:

- *Financial Administration Act*;
- *Government Contract Regulations*;
- TB Contracting Policy;
- PWGSC Buyandsell.gc.ca Supply Manual;
- VAC Financial Policy and Procedures Manual; and
- VAC Manager's Reference Guide to Procurement and Contracting.

## File Review

The audit team conducted a detailed file review of all 55 healthcare professional service contracts, which excluded those at Ste. Anne's Hospital. The purpose of this file review was to determine compliance with governing authorities and to determine the completeness, accuracy, and sufficiency of documentation.

Additionally, the audit team reviewed a judgemental sample of 128 payments. This sample consisted of three invoices per contract (where applicable) consisting of the first, last and a middle payment. Invoices were generally issued monthly or sometimes less frequent meaning that the sample covered at least 25% of the invoices for each contract. The purpose of this review was to determine if payments to contractors were accurate and in accordance with the *Financial Administration Act*, VAC Financial Policy and Procedures Manual, and the VAC Delegated Authorities Manual.

It is important to note that in some cases, one contract can be used for several healthcare professionals. For example, one contract with a nursing agency allowed for multiple nurses across a province to provide support to local area offices when required. Conversely, some healthcare professionals had more than one active contract with the Department.

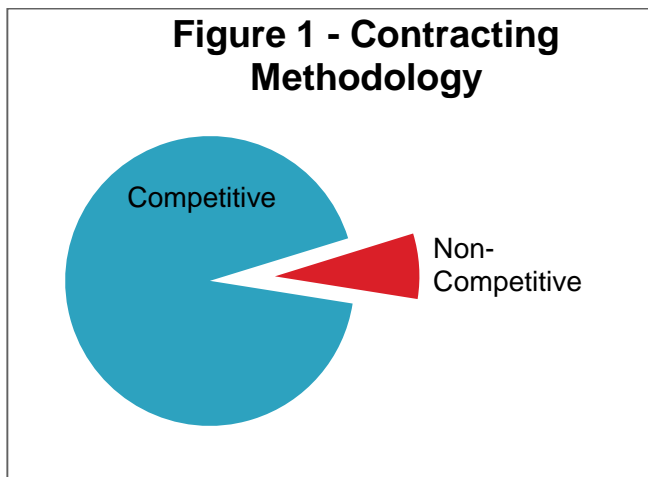
## 3.0 AUDIT RESULTS

### 3.1 Governance and Risk Management

The audit assessed governance to determine if processes and structures were in place for the decision-making authority to be exercised. Risk management practices were also assessed to determine if a systematic approach was taken to identify, assess and understand risks prior to determining the best course of action.

As illustrated in Figure 1, the majority of contracts (51 of 55) followed a competitive procurement process which allows for a fair and transparent method where the contract is posted publicly on PWGSC's electronic tendering service.

The remaining four contracts were below \$25,000, allowing for a non-competitive process which supports the quick and efficient procurement of low value contracts.



For all competitive contracts, PWGSC was the contracting authority and was responsible for reporting to Treasury Board Secretariat (TBS) on a quarterly basis. For the four non-competitive contracts, VAC was the contracting authority. The audit team confirmed that VAC was reporting to TBS on a quarterly basis and was proactively disclosing, on its external website, all contracts over \$10,000, as per TB requirements.

## **The Contract Review Board plays a greater oversight role.**

The TB Contracting Policy states that contracting authorities are encouraged to establish and maintain a formal challenge mechanism for all contractual proposals. Examples of what the review methodology should address include the following:

- Is the proposal within the contracting authority's legislative mandate?
- Are funds available?
- Are the competitive requirements of the regulations observed?
- Are the departmental signing authorities observed?
- Does the proposal have legal clearance when required?
- Is the proposal in line with government policies on bilingualism, employment equity, and conflict of interest?

VAC's Contract Review Board (the Board) is an advisory committee to the Senior Management Committee and the formal challenge mechanism within the Department for all contracts. As part of its mandate, the Board reviews draft contracts. Additionally, the Board is responsible for monitoring the effectiveness of the contracts in the context of strategic plans and priorities<sup>5</sup>.

For the 2012/13 fiscal year, the Board did not meet regularly; rather contracts were reviewed secretarially. Additionally, none of the healthcare professional service contracts were reviewed by the Board.

With respect to the requirements for handling of information, the file review of contracts identified varying levels of detail in the Statements of Work and the final contract document. The variances were because different area offices initiated their own contracts and were responsible for each providing contract information regarding the contractor's handling of information. For example, one area office used standard wording provided by PWGSC for the contract and another used more tailored wording.

In May 2013, the Terms of Reference for the Board were updated to address the issues identified early in the audit process. The updated requirements of the Board include the following:

- Meetings must be held on a monthly basis;
- All requests for healthcare professional service contracts must be reviewed;
- All contracts must be reviewed to ensure appropriate privacy terms and conditions are included.

The Access to Information and Privacy (ATIP) Directorate at VAC is the centre of expertise regarding the day-to-day administration of the *Access to Information Act* and the *Privacy Act*. The ATIP Directorate is expected to review all contracts that involve the collection, use, and disclosure of personal information. However, the audit team found

---

<sup>5</sup> Veterans Affairs Canada . (2012, 08 13). *Transformation - Governance Chart*. Retrieved from VAC Today: [http://today-infosdujour.vac-acc.gc.ca/general/sub.cfm?source=vac\\_today/transformation/organization#a09](http://today-infosdujour.vac-acc.gc.ca/general/sub.cfm?source=vac_today/transformation/organization#a09)

there was no formal process requiring this and not all contracts were submitted to the ATIP Directorate for review. While all the contracts contained a clause regarding the management of information, a process to ensure the ATIP Directorate is involved in contracts with healthcare professionals would be beneficial. This has been highlighted as an opportunity for improvement under Section 3.4.

**Training provided to contractors should be consistent.**

Training is a process that provides information and clarity to ensure consistency when performing tasks. It promotes understanding of roles and demonstrates a commitment to ensuring the job is done properly. Providing adequate training to contractors is necessary to fulfill VAC's contractual obligation and ensure contractors work efficiently. As outlined in the contracts, VAC is accountable for providing this training.

Area office staff are responsible to provide orientation to contractors on applicable VAC policies and procedures. During fieldwork, contractors indicated that there was generally adequate support from area office staff on policies and procedures, and relevant changes were generally communicated on an ongoing basis.

The VAC computer systems used by contractors are the Benefits and Health Services On-Line (BHSOL) and the Client Service Delivery Network (CSDN). BHSOL is a VAC computer system used by Nurses and OTs to conduct work and manage workload. CSDN is an information system that houses information necessary for VAC to deliver services to Veterans. Training for BHSOL is the responsibility of the Health Professionals Division; whereas training for CSDN is the responsibility of the area office staff.

Interviews with area office staff and contractors indicated that training on VAC computer systems was done inconsistently or sometimes not at all. In some cases, contractors worked on their own to familiarize themselves with the systems or relied on contractors in other offices for help. The absence of adequate and consistent training at the beginning of the contract period can result in reduced productivity and increased likelihood of error.

**Recommendation 1**

**It is recommended that the Director General, Health Professionals Division, ensures that all healthcare professional contractors receive the required training at the beginning of the contract period. (Essential)**

## **Management Response**

*Management agrees with this recommendation. The training plan for new health professional contractors will be reviewed and measures established to ensure that the planned training is provided.*

### **3.2 Compliance**

Published by the Institute of Internal Auditors (IIA), the *International Professional Practices Framework* defines compliance as “adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.”

**There is compliance with policies, procedures, and regulations.**

The audit team conducted a file review of all 55 healthcare professional service contracts. The results of this file review demonstrated a high degree of compliance with all requirements.

All 55 contracts contained the necessary documentation that defined the authorities of PWGSC, VAC, and the contractor(s). The contracts clearly defined the roles and responsibilities of VAC and the contractor(s). Additionally, the objectives, requirements, and deliverables of the contracts were clearly stated.

For the 51 contracts that followed a competitive process, evaluation criteria were applied to evaluate bids from potential contractors. These evaluation criteria were assessed by Head Office which enhanced independence from the area office requesting the contract. The remaining four non-competitive contracts did not require evaluation criteria.

In some cases, contracts have an “option year” clause that allows the contract to be extended through an amendment issued by the contracting authority. Of the 55 contracts, 38 contracts were in their option year. All 38 were renewed prior to the expiration of the contract. However, of these 38 contracts, 23 (60%) were renewed less than 30 days before the expiry of the contract. Interviews with contractors also indicated that contracts were renewed very close to the contract expiry date. Such late renewals have the potential to disrupt delivery of services. This has been highlighted as an opportunity for improvement under Section 3.4.

### 3.3 Payments

**Payments are accurate and verified in a timely manner.**

The TB Contracting Policy requires the implementation of various financial controls for the contract expenditures prescribed by the *Financial Administration Act*.<sup>6</sup> The *Financial Administration Act* requires that the payment process be reliable and that payments are correct. Section 32 (control of commitments) requires that no contract be established unless there is sufficient funding available. Pursuant to section 34 (payments for work, goods, or services) no payment can be made unless the work has been performed. Section 33 (requisitions) requires that payment can only be made once work performed has been verified and payment has been allocated.

Audit results confirmed that Section 32, Section 34 and Section 33 were appropriately applied. Furthermore, payments were accurate and verified in a timely manner.

In terms of Section 32, file review results confirmed that this occurred in all 55 contracts. Contracting Officers in Head Office input the contract rate into the VAC financial management system (FreeBalance). Only Contracting Officers have the ability to input these rates; therefore, the person authorizing the payment cannot change the rate without going through a Contracting Officer. This provides for sufficient control.

In order to determine compliance with Section 34 for the 55 contracts, the audit team reviewed a judgemental sample of 128 invoices (generally the first, last and a middle payment) in 2012-2013. In all cases, the payments were accurate and Section 34 was appropriately performed.

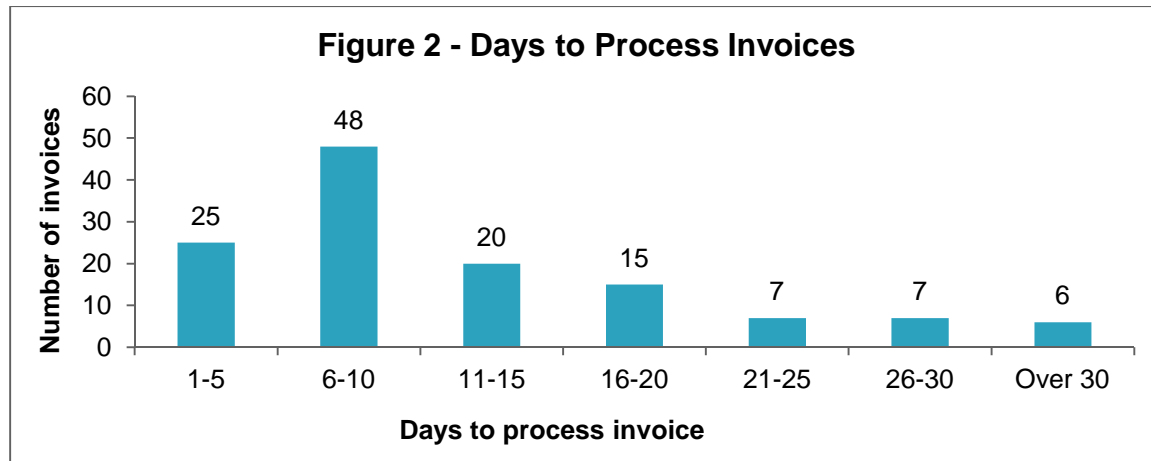
Once Section 34 is complete, invoices are sent to the Finance Office for Section 33. The Finance Office ensures that invoices are appropriately signed and rates are accurate in order to make the payment (Section 33). Access to the contracts was not readily available to the Finance Office. As a result, if questions arose on allowable expenses, the Finance Officer had to request a copy of the contract. Having ready access to contracts has been highlighted as an opportunity for improvement under Section 3.4 of this Report.

There is appropriate segregation of duties between functions in the area offices (Section 32 and 34), Kirkland Lake Finance Office (Section 33) and head office Corporate Finance in Charlottetown (contracting).

---

<sup>6</sup> TB Contracting Policy: 12.2 Financial Consideration

The audit team reviewed a judgemental sample of 128 payments to determine the timeliness of payments. The average turnaround time from the date of receipt of invoice to payment was 13 days, which is well within the 30 day standard. Figure 2 illustrates that less than 5% of invoices took longer than 30 days to process.



### 3.4 Opportunities for Improvement

The results of the audit team's work indicate that the following activities would have the potential of allowing VAC to further improve its management of contracts with healthcare professionals.

- The current organizational reporting structure should be formalized and the new roles and responsibilities should be clearly communicated. (page 2)
- A process to ensure ATIP is involved in reviewing contracts with healthcare professionals should be implemented. (page 6)
- Available option years should be exercised in a timely manner to ensure continuity of operations. (page 8)
- The Kirkland Lake Finance Office should have access to the contracts to facilitate the payment process (Section 33). The contract would provide required information in the event the Finance Officer is uncertain of allowable expenses. (page 9)

### 3.5 Audit Opinion

In the opinion of the audit team the audit results were determined to be “*Generally Acceptable*”. The new management control framework is well developed and there was a high degree of compliance with applicable policies and procedures. Additionally, payments were appropriately verified in a timely manner.



## **4.0 DISTRIBUTION**

Assistant Deputy Minister, Service Delivery

Assistant Deputy Minister, Human Resources and Corporate Services

Assistant Deputy Minister, Policy, Communications and Commemoration

General Counsel, Legal Services

Director General, Field Operations

Director General, Finance

Director General, Health Professionals Division

Director General, Information Technology, Information Management and Administration

Director, Access to Information and Privacy

Director, Administrative Services

Director, Payments and Collection Management

Director, Statistics

Chief, Procurement, Contracting and Asset Management

Strategic Advisor, Transformation

## Appendix A - Audit Criteria

| <b>Objective 1:</b> To assess the management control framework for contracting healthcare professional services.                            |                |
|---|----------------|
| <b>Audit Criteria</b>   | <b>Results</b> |
| 1. Adequate governance/oversight exists over contracting for healthcare professional services and related activities.                       | Met            |
| 2. The oversight bodies request and receive sufficient, complete, timely and accurate information.  | Met            |
| 3. VAC's accountabilities in support of healthcare professional service contracts are formally defined.                                     | Met            |
| 4. VAC provides employees with the necessary training, tools, resources and information to support the discharge of their responsibilities. | Partially Met  |
| 5. Planning and resource allocations consider risk information.   | Met            |
| 6. Records and information are maintained in accordance with laws and regulations.  | Met            |

| <b>Objective 2:</b> To assess compliance with policies, procedures, and regulations.   |                |
|--|----------------|
| <b>Audit Criteria</b>  | <b>Results</b> |
| 1. Controls described in policy manuals are applied the way that they are supposed to be.                                      | Met            |
| 2. Authority, responsibility and accountability are clear and communicated.  | Met            |
| 3. Guidelines and procedures that are aligned with Treasury Board policies and expectations have been defined and implemented. | Met            |
| 4. Financial management policies and authorities are appropriately designed to mitigate financial risks and are communicated.  | Met            |
| 5. Compliance with policy and financial management laws, policies, and authorities is monitored regularly.                     | Met            |

|  |     |
|--|-----|
| 6. There is appropriate segregation of duties.   | Met |
| 7. Management has established processes to develop and manage agreements with contractors. | Met |

**Objective 3:** To assess the adequacy of verification and monitoring processes for payments to contractors.

| <b>Audit Criteria</b>  | <b>Results</b> |
|--|----------------|
| 1. Records and information are maintained in accordance with laws and regulations.                               | Met            |
| 2. Appropriate and timely financial and non-financial reporting is communicated between VAC and its contractors. | Met            |
| 3. Contracted work is verified for sufficiency and completion and payments are timely.                           | Met            |

**Sources:**

- The *Audit Criteria related to the Management Accountability Framework: A Tool for Internal Auditors* (March 2011) published by the Treasury Board Secretariat's Internal Audit Sector, Office of the Comptroller General.
- The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework.
- Other audit reports.

## Appendix B - Risk Ranking of Recommendations and Audit Opinion

The following definitions are used to classify the ranking of recommendations and the audit opinion presented in this report.

### Audit Recommendations

|                  |  |
|------------------|--|
| <b>Critical</b>  | Relates to one or more significant weaknesses for which no adequate compensating controls exist. The weakness results in a high level of risk.     |
| <b>Essential</b> | Relates to one or more significant weaknesses for which no adequate compensating controls exist. The weakness results in a moderate level of risk. |

### Audit Opinion

|                             |  |
|-----------------------------|--|
| <b>Well Controlled</b>      | Only insignificant weaknesses relating to the control objectives or sound management of the audited activity are identified.   |
| <b>Generally Acceptable</b> | Identified weaknesses, when taken individually or together, are not significant or are compensated by mechanisms in place. The control objectives or sound management of the audited activity are not compromised. |
| <b>Requires Improvement</b> | Identified weaknesses, when taken individually or together, are significant and may compromise the control objectives or sound management of the audited activity.   |
| <b>Unsatisfactory</b>       | The resources allocated to the audited activity are managed without due regard to most of the criteria for efficiency, effectiveness and economy.  |