

November 2016



WORKSTATION SUPPORT SERVICES CONTRACT: AN AUDIT OF DUE DILIGENCE

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The Honourable Linda Reid
Speaker of the Legislative Assembly
Province of British Columbia
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Dear Madame Speaker:

I have the honour to transmit to the Speaker of the Legislative Assembly of British Columbia the report, *Workstation Support Services Contract: An audit of due diligence*.

We conducted this audit under the authority of section 11 (8) of the *Auditor General Act* and in accordance with the standards for assurance engagements set out by the Chartered Professional Accountants of Canada (CPA) in the CPA Handbook - Assurance and Value-for-Money Auditing in the Public Sector, Section PS 5400.



Carol Bellringer, FCPA, FCA
Auditor General
Victoria, B.C.
November 2016

AUDITOR GENERAL'S COMMENTS

MORE AND MORE, government is outsourcing with third parties for service provision. Many of these arrangements are alternative service delivery contracts.

Government is looking for opportunities to *onboard* (or add) other government organizations, such as schools, universities, colleges, health authorities and Crown corporations to these existing contracts. The aim of onboarding is to capitalize on volume cost savings and the expertise the private sector can offer.

But it is not straightforward. These contracts are complex and fraught with significant financial, legal and governance risks.

In this audit, we looked at the contract to onboard the health authorities to an existing alternative service delivery agreement. The onboarding was reported to be worth \$395 million and provided workstation support services to around 50,000 workstations in six health authorities. Healthcare providers increasingly rely on technology to deliver care, so fully functioning workstations are essential.

Overall, we found that government's analysis didn't show that adding the health authorities to the contract would result in value for money for taxpayers. Its own preliminary analysis showed unlikely cost savings for the health authorities. Throughout the process, decision makers, especially health authority CEOs didn't have enough information to make a fully informed decision.

There was no overall business analysis to determine if the benefits outweighed the costs, and the legal, policy and financial analyses were limited and not well documented. For example, the business analysis was



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AUDITOR GENERAL'S COMMENTS

fragmented and incomplete, and critical aspects of the legal analysis were not written down.

We surmise that several contributing factors led to the lack of due diligence: a tight timeline, ministry pressure to onboard the health authorities, unclear responsibilities, and a strong belief in onboarding.

This could happen again. There are currently 12 similar contracts reported to be worth over \$6 billion, and government is looking for opportunities to expand them. Our recommendations focus on how government could make informed decisions for these contracts to better ensure value for money. Public organizations should be able to demonstrate what they're doing with taxpayer dollars, and why. We recognize the potential benefits to expanding these contracts, but if you're going to do it, you've got to do it right.

This audit was challenging and hard to deliver in a timely manner largely due to poor records management and high staff turnover with those we audited. Working with multiple organizations that typically work independently of each other exacerbated the challenges of an already complex topic.

I would like to thank all those involved in this audit, including staff at the Ministry of Technology, Innovation and Citizens' Services, the Ministry of Health and B.C. Clinical and Support Services (formerly Health Shared Services BC).

Carol Bellringer, FCPA, FCA
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Victoria, B.C.
November 2016

REPORT HIGHLIGHTS

ADDING
**HEALTH
AUTHORITIES**

to contract reported
to be worth

\$395M

WORKSTATION SUPPORT
ESSENTIAL
TO PATIENT CARE

1.
4 **RECOMMENDATIONS**
2.
3.
4.
to improve
government oversight
of similar contracts

Government
DIDN'T DEMONSTRATE
the deal would achieve

**VALUE
FOR
MONEY**

12 **SIMILAR
CONTRACTS**

reported to be worth

\$6+ billion

that government
HOPES TO EXPAND

COVERED
50,000+
WORKSTATIONS

Health authority CEOs
**RECEIVED
LIMITED
INFORMATION**
to make their decision



SUMMARY

In 2004, the Government of British Columbia outsourced the provision of workstations and workstation support services to IBM Canada Limited (the Service Provider). This agreement was to last 10 years, with a possible 2 year extension, for an estimated 29,000 workstations across ministries and some Crown agencies at a cost of \$300 million. In 2010, the health authorities were *onboarded*, or added, to the 2004 agreement. The scale and scope of the change was significant. It included the addition of an estimated 50,000 workstations for approximately \$395 million. At the same time, the Ministry of Technology, Innovation and Citizens' Services (MTICS) extended the contract by two years, to end in 2017.

Since 2003, government has used these types of agreements, known as alternative service delivery agreements extensively. Alternative service delivery agreements are essentially contracts; however, the nature of the contract and the process used to tender the contract are different. Unlike conventional procurement, alternative service delivery procurement results in a long-term business alliance that allows for flexibility and evolution over typically five to ten years' time. Like many of the current alternative service delivery agreements, the original intention of this particular agreement was to allow for expansion of services to the broader public sector, which included the health authorities.

The focus of our audit was the onboarding of the health authorities to the existing agreement between government and the Service Provider for workstation support services in 2010, and the extension of this original agreement for existing clients from 2015 to 2017.

We looked at government's decision and the due diligence it undertook to support that decision,

because there are substantial financial, legal and service delivery risks. These risks need to be managed when onboarding entities, such as the health authorities, to existing alternative service delivery agreements. Lessons from this case may be applied to other onboarding agreements.

MTICS and Health Shared Services BC (HSSBC) were the two government entities primarily responsible for undertaking the due diligence required to onboard the health authorities to the Master Services Agreement. MTICS provided procurement and supply services to government, and HSSBC provided procurement and supply services to the health authorities. Together, they were responsible for ensuring that acquiring workstation support services was a good decision for government. We expected that collectively, they would have undertaken due diligence to demonstrate that onboarding the health authorities was legal, within government's procurement policy, and would likely achieve the expected benefits of cost-savings, standardization and improved service. We also expected that the decisions and approvals would be clearly documented.

SUMMARY

Overall, we found the due diligence completed collectively by MTICS and HSSBC to be inadequate. There were no alternative procurement options explored prior to entering into negotiations with the service provider to onboard the health authorities and extend the contract. Neither MTICS nor HSSBC provided us with evidence that they conducted a thorough analysis to determine whether onboarding was a better option than initiating a new procurement process. However, they had information to suggest that there was a high risk that onboarding to the existing 2004 Master Services Agreement would result in cost increases for the health authorities.

Despite this risk, they did not explore alternatives. Instead, collectively MITCS and HSSBC entered into negotiations with the Service Provider with the intent of obtaining value for money through onboarding. However, negotiating cost reductions for the health authorities would have been difficult because there were limitations to how much the existing 2004 Master Services Agreement could be altered.

The audit also found that the due diligence undertaken to onboard the health authorities was inadequate. The legal and policy analysis was limited and not well documented. The business analysis was fragmented, had limitations, and could not demonstrate that onboarding provided the best value for money. The documentation of key decisions and analysis was also poor.

As a result, a significant decision was made with a high degree of uncertainty that it would result in the expected benefits. Onboarding *may have been* the best solution for all the parties involved. However,

the organizations did not demonstrate through due diligence that this decision was the best option for the health authorities.

We found a number of factors that contributed to the limited due diligence:

- ◆ MTICS was a strong advocate for the expansion of alternative service delivery contracts to the broader public sector and wanted to demonstrate the value in expanding these contracts.
- ◆ The responsibilities between the Ministry of Health (MoH) and HSSBC were unclear.
- ◆ Pressures to onboard from the MoH contributed to HSSBC not considering alternatives.
- ◆ Timeline pressures limited the ability of each entity to fully analyze costs and benefits.

We also observed that government's oversight of this scale of onboarding to an existing alternative service delivery agreement was inadequate. There were no expectations in place regarding the required financial and legal analysis and no requirements for an independent review of the decision or the supporting evidence prior to approving the onboarding and extension of the contract.

In 2012, government put in place the Strategic Partnerships Office, which provides guidance and support to organizations managing alternative service delivery agreements. However, to effectively manage similarly large onboarding initiatives, government needs to improve oversight by:

SUMMARY

- ◆ establishing clear roles and responsibilities
- ◆ requiring an independent review of the due diligence undertaken prior to entering into the agreements
- ◆ setting expectations for the due diligence required
- ◆ publicly reporting on planned and achieved results

Our recommendations therefore focus on enhancing government's oversight of onboarding and contract extensions.

SUMMARY OF RECOMMENDATIONS

WE RECOMMEND THAT THE GOVERNMENT OF BRITISH COLUMBIA:

- 1** identify clear responsibility for the oversight of significant alternative service delivery contract decisions, such as extensions and onboarding.
- 2** improve its oversight of significant alternative service delivery contract decisions, such as extensions and onboarding, by:
 - ◆ requiring an independent review to ensure the principles of fairness and value for money are considered.
- 3** ensure due diligence expectations for onboarding and significant contract changes or extensions are clearly communicated to service providers and contract management offices across the public sector. These expectations include:
 - ◆ analysis of alternative procurement options where the scale and scope of the change is significant and/or there is a risk that the original contract may not meet the needs of the sector or entities added to the contract
 - ◆ demonstrated compliance with legal, policy and trade agreement obligations
 - ◆ analysis of the costs and benefits before onboarding entities to existing alternative service delivery contracts
 - ◆ documenting and managing all key decisions and due diligence steps
- 4** report publicly on the planned and achieved results of significant alternative service delivery onboarding initiatives

RESPONSE FROM GOVERNMENT

JOINT RESPONSE FROM THE MINISTRY OF TECHNOLOGY, INNOVATION AND CITIZENS' SERVICES, THE MINISTRY OF HEALTH, AND THE BC CLINICAL AND SUPPORT SERVICES SOCIETY

THE PROVINCE APPRECIATES THE EFFORTS of the Office of the Auditor General (OAG) for the Workstation Support Services Contract: An Audit of Due Diligence. The use of Alternative Service Delivery (ASD) contracts continues to be a key tool for Government to achieve cost effective and efficient delivery of government services through innovative partnering with the private sector. The Province is always seeking to improve its processes and sees OAG audits as valuable information to support enhancement of its ongoing delivery practices.

Most ASD contracts contemplate additional savings or price reductions through future growth to include an extended client base or an expanded service offering. This process, called “onboarding”, allows benefits to be realized (typically a lower per-unit cost) when new services or clients are added to the original contract. The process applied during the 2010 onboarding of the BC Health Authorities to the Province’s Workstation Support Services contract was consistent with the objectives and delivery practice for ASD’s. Recent independent bench-marking of the services delivered under the Workstation Support Services contract indicate that costs are within, and in some cases below, the current market costs for equivalent services.

We note that significant changes have been made in the oversight of large outsourcing contracts since 2010 when the Health Authorities were added to the Workstation Support Services contract. The

establishment of the Strategic Partnerships Office in 2012 supports the Province to continually improve on the identification, management and oversight of these strategic contracts.

The Workstation Support Services contract is now nearing end of term and the Province, the Health Authorities, and with the oversight of the Strategic Partnerships Office, have been working closely together to analyze business requirements, procurement options, and OAG recommendations.

Procurements for the Province and Health Authority workstation support services will begin in fall 2016.

We agree with all of the OAG recommendations in support of improving oversight, independent review, documentation of analysis and due diligence, and public reporting.

RESPONSE FROM THE GOVERNMENT

The Ministry of Technology, Innovation and Citizens' Services will work with the Office of the Comptroller General to consider updates to Core Policy to clearly identify the role of Strategic Partnerships Office and its oversight of significant ASD contracts and in particular on key decisions such as contract extensions and onboarding. In situations where there are large onboarding or major changes in contracts, the Strategic Partnerships Office will ensure that Treasury Board is consulted and will provide an independent oversight of these decisions. The Strategic Partnerships Office's performance management framework reporting, will publicly report on any significant changes to large outsourced contracts.

All significant changes to outsourced contracts within the mandate of the Strategic Partnerships Office will be required to meet the onboarding due diligence expectations identified by the OAG through detailed business case development, financial and legal analysis, and ongoing monitoring of the service delivery contract.

The Province values the recommendations provided by the OAG which will strengthen our ability to transform the delivery of services in British Columbia.

BACKGROUND

WORKSTATION SUPPORT SERVICES AGREEMENT

WORKSTATION SUPPORT SERVICES are the provision of desktop and laptop personal computers (workstations) and purchasing, delivery, installation, and help desk and on-site support (support services).

On December 3, 2004, the B.C government entered into a long-term agreement with the Service Provider to deliver these services. The *Master Services Agreement* was a ten-year contract worth an estimated \$300 million to deliver workstation support services for approximately 29,000 workstations across ministries and some Crown agencies. The Master Services Agreement allowed for the expansion of services to the broader public sector, including the health authorities, and an option to extend the agreement for an additional two years.

In 2010, government entered into a *Tri-Partite Agreement*, which added the Health Authorities

onto the existing Master Services Agreement. At the same time it signed the *Tri-Partite Agreement*, government signed a *Supplemental Agreement* with the Service Provider to extend the 2004 Master Services Agreement for an additional two years. This decision extended the life of both the 2004 Master Services Agreement and 2010 *Tri-Partite Agreement* to March 31, 2017. Collectively, the three agreements (*Master Services Agreement*, *Supplemental Agreement* and the *Tripartite Agreement*) made up the *Workstation Support Services Agreement* that government has with the Service Provider.

Exhibit 1: Contracts that make up the *Workstation Support Services Agreement* (Agreements*)

Year	Contract	Signees
2004	Master Services Agreement (MSA) <ul style="list-style-type: none"> ◆ 10-year contract with province's option to extend contract for another 2 years ◆ workstation support services for 29,000 workstations (ministries and some Crown agencies) 	Ministry of Technology, Innovation and Citizens' Services (MTICS) IBM Canada Ltd.
2010	Supplemental Agreement <ul style="list-style-type: none"> ◆ extended the MSA by 2 years 	MTICS IBM Canada Ltd.
2010	Tri-Partite Agreement <ul style="list-style-type: none"> ◆ added the health authorities to the MSA 	MTICS HSSBC (as the agent of the health authorities) IBM Canada Ltd.

Source: Office of the Auditor General of British Columbia

*For this report, we refer to the individual agreements by their title and to the three agreements collectively as the "Agreements"

BACKGROUND

Government has estimated the total payments to the Service Provider across the lifetime of the Agreements (2004-2017) will be approximately \$1 billion. This is significantly more than the original estimated cost of \$300 million in 2004.

The scale and scope of adding the health authorities was significant. It involved adding an estimated 50,000 workstations for approximately \$395 million. This is approximately twice the number of workstations included in the Master Services Agreement.

The additional costs are, in part, because of the extension of the contract to 2017. Other contract changes, increased demand for hardware and support services, and inflationary pressures also contributed to the additional expense. However, we did not audit all the contract costs so we are unable to confirm all the causes.

SHARED SERVICES

The term *shared services* describes how services are provided under the Master Service Agreement. Prior to this agreement, individual organizations managed their own workstation support services. Under the Master Services Agreement, the service provider delivers services across a number of organizations, with government managing the services centrally. The objective of this shared services approach was to eliminate duplication, increase standardization and deliver cost-effective and customer-centred support services.

What aspect of the Agreements did our audit cover?

The focus of our audit is the due diligence completed prior to adding the health authorities to the existing Master Services Agreement and the two-year extension to 2017 (see [Exhibit 1](#)).

DUE DILIGENCE

Due diligence contributes significantly to informed decision-making. It enhances the amount and quality of information available to decision-makers. This information is systematically used to deliberate on the decision at hand and all its costs, benefits, and risks.

Definition adapted from [Conducting Due Diligence](#)

We looked at this aspect because of the substantial financial, legal and service delivery risks that needed to be managed. The scale and scope of the change was large and it directly impacted the delivery of health-care services.

B.C.'s six health authorities deliver critical services in a complex environment across rural and urban settings. Healthcare providers increasingly rely on technology, and workstation support services are essential to the delivery of care.

At the time of onboarding, the 2004 contract with the Service Provider had been in place for six years. The extension of the contract took an already lengthy

BACKGROUND

10-year, IT-related contract and extended it by 2 years. Changes in technology and shifts in the marketplace over that period were substantial. These changes create a risk that the original contract may not meet the needs of existing users, or the newly onboarded health authorities.

We looked at due diligence because fundamentally, public organizations should be able to demonstrate what they are doing and why. This means that public organizations need full and proper records of their work to show what decisions were made, who made them, and the basis on which they were made.

They should expect to be tested by members of the public, media, the courts and others. In addition, this information is critical for management to preserve corporate knowledge, to inform future decisions, and to reflect on lessons learned.

WHAT ARE ALTERNATIVE SERVICE DELIVERY AGREEMENTS?

Starting in 2003, the B.C. government began to use agreements, such as the Master Services Agreement, as a means to transform the way services are delivered. Termed alternative service delivery, these agreements were expected to increase private sector involvement in the delivery of public sector services.

Alternative service delivery agreements are essentially contracts; however the nature of the contract and the process used to tender the contract are unique. In B.C.,

government's Joint Solutions Procurement process is the default for alternative service delivery agreements. This is not a typical procurement process where government seeks bids for services: it is a process to find a provider with certain skills and a plan, on which a further contract is negotiated.

This process is structured to be fair, open and competitive, and it enables government to find a service provider with the desired capabilities and capacities. Unlike conventional procurement, the process results in a long-term strategic business alliance. This alliance is intended to be adaptive and allow for flexibility and evolution over typically five to ten years.

The B.C. government has used alternative service delivery arrangements extensively to deliver key services, managed by various agencies across government. Government's Strategic Partnerships Office provides guidance and support to the agencies that manage these contracts. In 2014/15, the Strategic Partnerships Office reported that it oversaw 12 additional deals with different service providers, totalling over \$6 billion in expenses for core government. The over \$6 billion figure does not include the expenditure by the broader public sector on ASD contracts. Expiry dates of these deals range from 2017 to 2025. For details, see [Appendix A](#).

These agreements include:

- ♦ management, administration and maintenance of government's facilities and buildings
- ♦ delivery of telecommunications services, including long distance, cellular and voice and data network services

BACKGROUND

What is onboarding?

Onboarding is used in B.C. to describe a situation where other organizations sign on to an existing alternative service delivery agreement to take advantage of the offered services. Onboarding is typically expected to create efficiencies, reduce costs through aggregation, and reduce duplication within the public sector.

In B.C., onboarding is part of the life-cycle of alternative service delivery arrangements and many of the current ones are structured to allow onboarding. In 2014/15, the government reported that significant progress was made towards achieving 80% of the 20 planned onboarding initiatives for 2014/15 and that 13 initiatives were planned for 2015/16. Each onboarding initiative will vary in size and complexity.

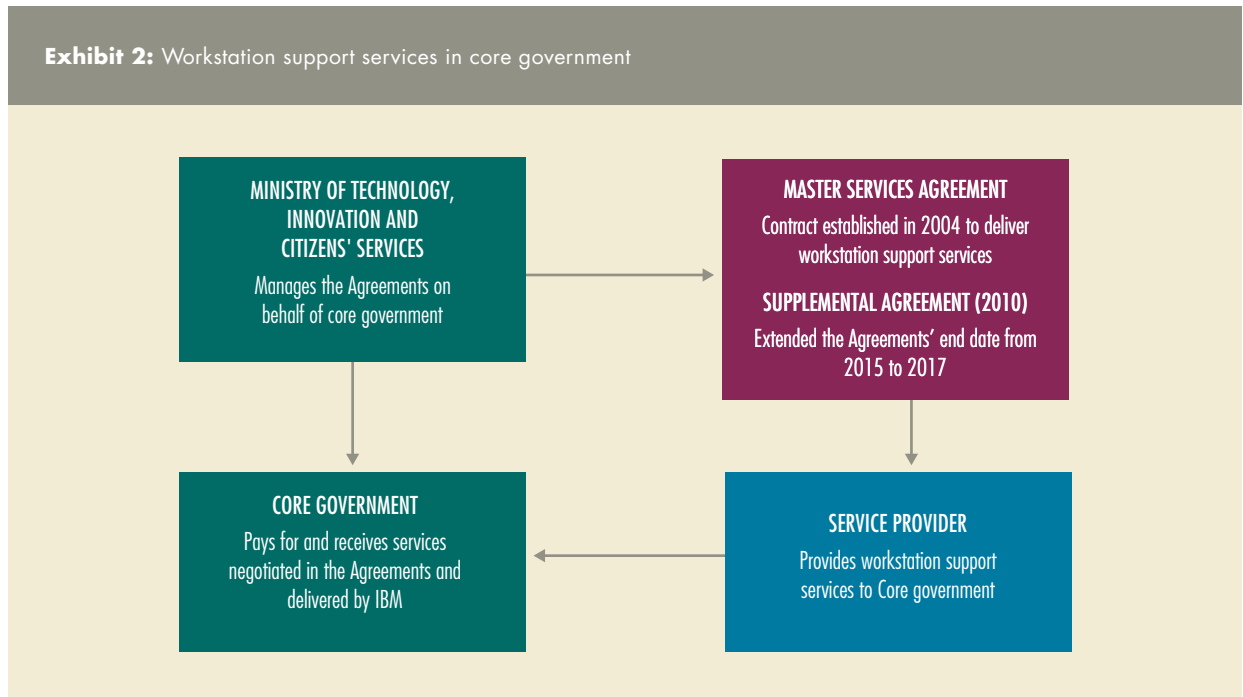
ORGANIZATIONS INVOLVED

Ministry of Technology, Innovation and Citizens' Services (MTICS)

MTICS' mandate is to provide technology and other services to government's ministries and Crown corporations. This includes key administrative services common to all ministries. The objective of this shared services approach was to eliminate duplication among ministries, and deliver cost-effective and customer-centred support services.

In 2003, workstation support services were one of the first services to be established under this model. These shared services were mandatory for all ministries and

Exhibit 2: Workstation support services in core government



BACKGROUND

the agencies, boards and commissions that are part of the Consolidated Revenue Fund, as defined in the *Financial Administration Act*. We refer to this group of organizations as *core government*. The agreements in place for core government include the original Master Services Agreement signed in 2004 and the subsequent *Supplemental Agreement* signed in 2010.

[Exhibit 2](#) shows the relationships between the Service Provider, MTICS, and the organizations that receive services under the agreement.

Health Shared Services BC (HSSBC)

HSSBC's mandate was to create a shared services model for the health authorities. It delivered common, non-clinical services, such as supply chain management, technology services, and finance and employee services. Previously, the health authorities managed these services themselves. Transitioning the health authorities to a shared services model for workstation support services was among the first of HSSBC's initiatives.

HSSBC cannot require the health authorities to take any action; it fulfills its role by working with the health authorities through agreements.

The 2010 memorandum between HSSBC and the health authorities is one such agreement. It establishes a management board (board) that is accountable and responsible for the management and operations of HSSBC. The board consists of:

- ◆ the President and Chief Executive Officer (CEO) of the Provincial Health Services Authority
- ◆ the CEO of each health authority

- ◆ a representative from the Ministry of Health (MoH)
- ◆ up to two independent individuals designated by the Minister of Health
- ◆ the CEO of Providence Health Care Society

Since its creation in 2008, HSSBC has changed its name and reporting relationships, but overall responsibility for services and expectations remains the same. During the 2010 onboarding of the health authorities, the Health Authorities' Shared Services Organization (HASSO) was reconstituted as Health Shared Services BC (HSSBC). HSSBC had the same mandate as HASSO and took over all roles and responsibilities of HASSO. Subsequent to our audit fieldwork, the Ministry of Health established the BC Clinical and Support Services Society (BCCSS). On April 1, 2016, BCCSS assumed accountability for the provision of services previously provided by HSSBC.

The health authorities included in the Agreement

The broader public sector consists of organizations outside of core government. Examples include post-secondary institutions, school districts and health authorities.

In 2001, B.C.'s healthcare services devolved from a centralized, administrative model to six health authorities (five regional and one provincial). The Ministry of Health maintained overall responsibility for ensuring that quality, appropriate, cost effective and timely health services are available for all people of B.C., and the health authorities were given

BACKGROUND

responsibility for direct health service delivery. The health authorities included in this agreement include the five regional health authorities and the Provincial Health Services Authority (PHSA).

The five regional health authorities (Fraser Health, Interior Health, Northern Health, Vancouver Coastal Health and Island Health) are responsible for:

- ♦ identifying population health needs
- ♦ planning appropriate programs and services
- ♦ ensuring programs and services are properly funded and managed
- ♦ meeting performance objectives
- ♦ achieving a balanced budget

In addition, the PHSA has a province-wide mandate. The PHSA is responsible for:

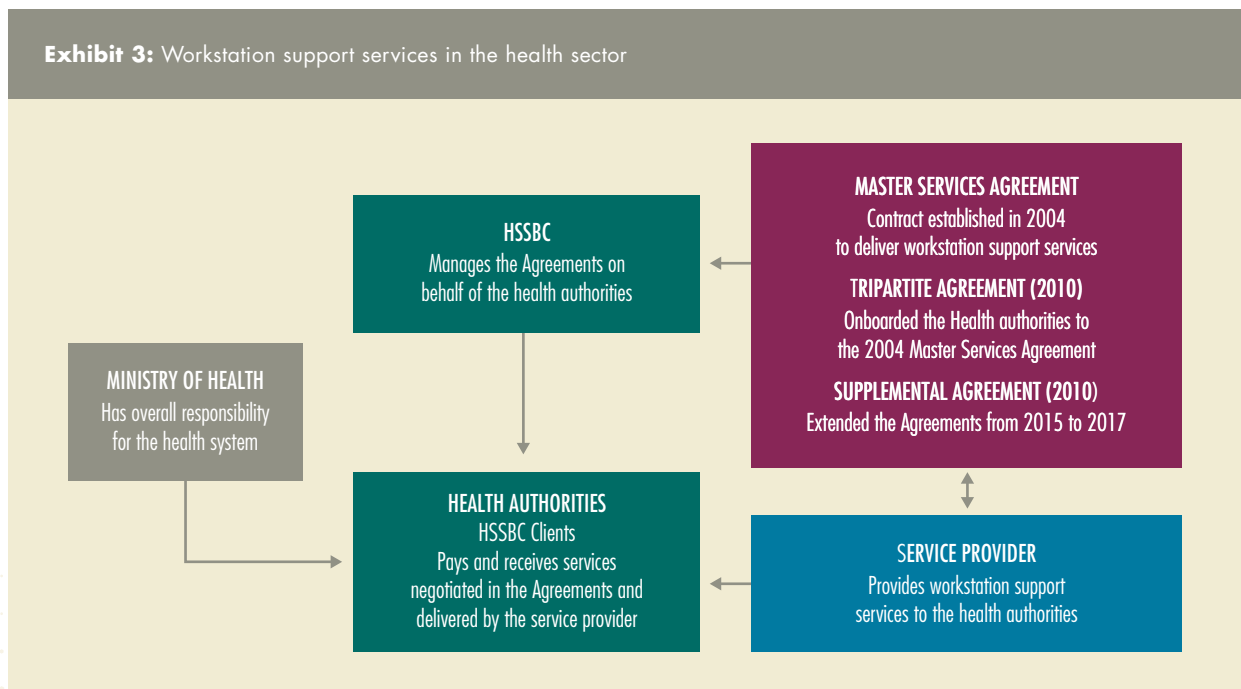
- ♦ working with the five regional health authorities to plan and coordinate the delivery of provincial programs and specialized services

- ♦ governing and managing the organizations that provide health services throughout the province

Ministry of Health (MoH)

MoH has overall responsibility for ensuring that quality, appropriate, cost-effective and timely health services are available for all people in B.C. MoH sets province-wide priorities, goals, standards, and expectations for health service delivery and provides leadership, direction, and support to the health authorities, health care providers, agencies, and other organizations. MoH achieves its aims by developing policy, legislation and professional regulation, and it does this through funding decisions, negotiations and bargaining, and through its accountability framework for the health authorities.

Exhibit 3 shows the relationships between MoH, HSSBC, the Service Provider, and the health authorities that receive the workstation support services.



MTICS, HSSBC AND MOH AGREED TO WORK TOGETHER

In August 2009, MoH, HSSBC, and MTICS agreed to work together to purchase the workstation support services in the 2004 Master Services Agreement for the six health authorities.

MTICS was to lead negotiations and communications with the Service Provider to onboard the health authorities to the 2004 Master Services Agreement.

HSSBC was to:

- ◆ develop the specific workstation requirements of the health authorities
- ◆ provide the data and information to develop a baseline cost of existing workstation support services
- ◆ participate in the development of a project plan, vision, and negotiations
- ◆ cooperate with the due diligence carried out by MTICS and the Service Provider

The MoH was to provide oversight of an executive steering committee and provide the appropriate approvals required to onboard the health authorities.

AUDIT OBJECTIVE AND SCOPE

OBJECTIVE

WE DID THIS audit to determine if the Ministry of Technology, Innovation and Citizens' Services (MTICS) and the Health Shared Services BC (HSSBC) completed the appropriate **due diligence** in order to obtain value for money by extending the Master Services Agreement and onboarding the health authorities to that contract.

We looked at three key aspects of **due diligence completed by MTICS and HSSBC**:

1. analysis completed to confirm compliance with B.C. procurement legislation, policy and the trade agreements
2. business analysis completed to determine if there was a sound business rationale underpinning the decision to extend the contract and onboard the health authorities
3. the obtainment of appropriate approvals prior to entering into the Supplemental and Tri-Partite Agreements

CRITERIA AND SOURCES

We developed the audit objective and criteria using B.C. government legislation, policy and associated principles related to procurement and contract management. This included the *Procurement Services Act*, *Financial Administration Act*, the Core Policy and

Procedures Manual and the Shared Services British Columbia Purchasing Handbook. In addition, we looked at relevant guidance from other jurisdictions, including the Government of Canada and the World Bank, to confirm the reasonableness of our criteria.

AUDIT SCOPE AND APPROACH

We conducted this audit in accordance with the standards for assurance engagements set out by the Chartered Professional Accountants of Canada (CPA) in the CPA Handbook – Assurance and Value-for-Money Auditing in the Public Sector, Section PS 5400, and under the authority of Section 11 (8) of the *Auditor General Act*.

The original time period considered in the audit was from March 2010 until December 2010. However, we considered information from 2008 and 2009 that is directly relevant to the time period of the audit.

AUDIT OBJECTIVE AND SCOPE

The focus of our audit is the due diligence completed by MTICS and HSSBC to onboard the health authorities. We specifically excluded the original procurement and negotiation of the 2004 Master Services Agreement. We did not audit whether the deals negotiated achieved the benefits expected for the expected costs. Because MoH was not a signatory to the Agreements, they were not an auditee; however, we included findings related to the ministry's role.

Originally, we expected to also audit MTICS' and HSSBC's monitoring and reporting of the Service Provider's performance. However, after we discovered the challenges of auditing this area, we considered the value of this additional audit work and decided we would not complete a full audit of those processes. However, we did identify risk areas that we shared with both auditees to help improve future contract management.

AUDIT CONCLUSION

WE FOUND THAT the collective due diligence completed by HSSBC and MTICS before onboarding the health authorities and extending the contract was inadequate. Both organizations carried out varying levels of activities to estimate financial benefits and to determine if onboarding and extending was a legally sound decision; however, overall there were significant gaps in this analysis.

KEY FINDINGS AND RECOMMENDATIONS

A SIGNIFICANT DECISION WAS MADE WITH LIMITED DUE DILIGENCE

Other procurement options were not considered

GIVEN THE SCALE and scope of onboarding the health authorities to an existing contract, we expected to find that MTICS and/or HSSBC had considered other procurement options before negotiating with the Service Provider. There are advantages and disadvantages to different approaches that should have been explored by at least one of the parties.

An open procurement process in a competitive marketplace should get good value for government's money while being fair to both government and service providers. Onboarding to an established Alternative Service Delivery agreement is different from an open procurement process and should:

- ◆ save the costs of running a new procurement
- ◆ gain efficiencies and cost-savings through demand aggregation
- ◆ continue an established positive relationship with a service provider with satisfactory performance

In deciding to onboard to the 2004 Master Services Agreement, we expected that MTICS and/or HSSBC would complete an options analysis to determine if onboarding or open procurement was the best decision. This would include an analysis of legal implications and risks, costs and benefits of each option, and whether the Service Provider, under the current contract, had met performance expectations.

However, neither MTICS nor HSSBC provided us with evidence that they conducted a thorough analysis to determine whether onboarding was a better option than initiating a new procurement process. The evidence they did have suggested there was a high risk that onboarding to the existing 2004 Master Services Agreement would result in cost increases for the health authorities. Despite this risk, they did not explore alternatives. Instead, collectively MITCS and HSSBC entered into negotiations with the Service Provider with the intent of obtaining value for money through onboarding. However, negotiating significant cost-reductions for the health authorities would have been difficult because there were limitations to how much the 2004 Master Services Agreement could have been altered.

The 2003 Joint Solution Request for Proposals (JSRFP) and the resulting 2004 Master Services Agreement allowed government to add broader public sector organizations to this contractual arrangement.

KEY FINDINGS AND RECOMMENDATIONS

As well, the Master Services Agreement obligated government to consider the Service Provider when onboarding organizations. However, we would note that this was an obligation to *fairly consider* the Service Provider for the opportunity, not a requirement to *contract* with the Service Provider.

Anniversary reports completed by MTICS indicated the Master Services Agreement was achieving its goals and meeting MTICS' expectations. However, these reports were part of the ongoing monitoring of the contract and were not specifically used in an options analysis.

Onboarding works well when another party needs the same services in the original contract. Because they decided to onboard, rather than create an open procurement, we expected that MTICS and HSSBC would have a solid understanding of the workstation support services that health authorities would need, and then determine the services the health authorities could obtain (or not obtain) by onboarding.

We found that HSSBC had worked with the health authorities in 2008 and 2009 to establish a vision and determine requirements for a shared services model for workstation support services. In 2009, MTICS, MoH, and HSSBC then agreed to work together regarding the purchase of workstation support services for the health authorities via onboarding onto the Master Services Agreement. To onboard onto the 2004 Master Services Agreement, neither MTICS nor HSSBC could substantially change the scope of the services already negotiated for core government. In other words, the scope of the services negotiated in

the Tri-Partite Agreement (that onboarded the health authorities to the Master Services Agreement) could not be substantially different than those in the 2004 Master Services Agreement.

One of HSSBC's goals was to achieve cost savings through onboarding. HSSBC contracted with a third party to analyze the anticipated costs. The analysis indicated that in order for the health authorities to achieve cost savings through onboarding, the 2004 Master Services Agreement would need to be renegotiated to remove significant costs. However, there were limitations to what could be renegotiated within the 2004 Master Services Agreement to onboard the health authorities. That is the nature of onboarding. Therefore, if cost-savings was a goal, this analysis suggests that onboarding may not have been the best option and alternatives should have been analyzed.

HSSBC's analysis of anticipated costs was provided to senior executives within MoH and MTICS. We could not find evidence that the results of the analysis were shared with health authority decision-makers through the HSSBC board. Also, the analysis results did not spur HSSBC or MTICS to further analyze alternatives. Instead, collectively, MTICS and HSSBC entered into negotiations with the Service Provider with the intent of negotiating a deal that would achieve value for money.

KEY FINDINGS AND RECOMMENDATIONS

Analysis of compliance with key obligations was limited and not well documented

The B.C. government has established procurement policies to incorporate principles of fairness, competition, value for money, transparency and accountability in its procurement practices. And B.C. has signed trade agreements that contain similar expectations and principles. We audited whether MTICS and HSSBC undertook an appropriate analysis to determine and fulfill their obligations when onboarding the health authorities to government's existing Master Services Agreement. The analysis was necessary for both organizations because MTICS and HSSBC have different roles and responsibilities.

MTICS

MTICS' did obtain advice from legal counsel and internal procurement specialists. We are unable to disclose the content of this advice due to the issue of solicitor/client privilege. However we can confirm that it met our expectations with one exception. MTICS did not seek advice about whether the final agreement met government's procurement policy principles and its trade agreement obligations. Even though MTICS had obtained legal advice through the negotiation process, we expected that MTICS would have sought an opinion that the final deal structure met government's procurement principles, and the requirements of the trade agreements. In similarly large and complex onboarding situations, this is a good practice for government's future consideration.

HSSBC

To complete its due diligence, HSSBC was required to identify the legal obligations, potential liabilities, and the rights of the health authorities and itself when onboarding to government's 2004 Master Services Agreement. We expected that HSSBC would ensure there were no conflicts with existing commercial, contractual relationships or other arrangements, and that onboarding fit within the organizational policies of the health authorities.

HSSBC's legal analysis was not documented. HSSBC did not give us any formal documents that would demonstrate its due diligence. They also informed us that the analysis was provided verbally to decision-makers. This is a significant shortcoming of HSSBC's approach given the risks, costs and implications of this arrangement.

Despite having no written evidence, HSSBC told us they had completed appropriate due diligence through:

- ◆ a review of the JSRFP and the Master Services Agreement
- ◆ a review of the terms and conditions of the Master Services Agreement and its applicability to the health sector
- ◆ an analysis of the regulatory requirements
- ◆ establishing the principle of fairness and addressing the original procurement process
- ◆ a competitive process for the JSRFP, as defined by government's procurement legislation and policy

KEY FINDINGS AND RECOMMENDATIONS

- ◆ satisfaction that there were grounds to onboard
- ◆ satisfaction that there were no conflicts to onboarding
- ◆ performing due diligence analysis before entering into sourcing initiatives and executing contracts

HSSBC's failure to document important analysis and key decision points that would justify a decision to spend hundreds of millions of dollars is poor practice.

The business analysis provided to decision-makers had significant limitations

Limitations in HSSBC's and MTICS' business analysis resulted in MTICS, HSSBC and the health authorities collectively making a significant financial decision with a high degree of uncertainty as to whether the deal would result in value for money for the health sector.

MTICS' analysis was sufficient to demonstrate cost savings for core government, but HSSBC's business analysis had significant limitations and did not account for all expected costs and benefits. In MTICS' analysis, they determined that the principal change for onboarding was the base seat rate change (the cost or rate charged by the Service Provider for each workstation).

This base seat rate change (a 15% discount) was contingent on the onboarding of all health authorities, and was estimated to save \$14 million over the 6 years of the contract. This straightforward cost-benefit analysis was simply a reduction of the existing costs for

the same services. MTICS completed this analysis as part of their due diligence exercise.

In comparison to the clear price reductions for MTICS and its client organizations, the business analysis for onboarding the health authorities would have required consideration of a larger and more complex range of issues. Given the scale and scope of onboarding the health authorities, we found the analysis completed by HSSBC was not adequate.

Business analysis documentation was fragmented

Neither MTICS nor HSSBC completed an overall business analysis to determine if the benefits of onboarding and extending the contract outweighed the overall costs proposed by the Service Provider. Because the 15% seat discount that MTICS expected was contingent upon onboarding all health authorities, one overall business analysis would have provided decision-makers with the full picture of costs and benefits. Instead, MTICS and HSSBC undertook their own, separate analysis that pertained directly to their organization and client organizations. As a result, the business analysis did not clearly demonstrate that the benefits outweighed the costs of the deal as a whole.

In addition, HSSBC did not create one, clear and comprehensive business case that would allow decision-makers to see the full range of costs, benefits and risks relative to onboarding to inform their decision. Instead, information was provided through various documents and presentations at different points in time to health authority decision-makers.

KEY FINDINGS AND RECOMMENDATIONS

HSSBC was not able to demonstrate to decision-makers that onboarding provided the best value for money

We expected that because HSSBC chose not to go to market, they would have created a fulsome understanding of the current costs of doing business (baseline costs), and compared that to market rates, or used other business intelligence to determine whether they would get value from the deal.

We found this was not the case. There were limitations in the baseline costs estimates HSSBC used in the business analysis and we were unable to determine if market rates or other benchmarks were used to determine the baseline costs. In addition, we found that the business analysis did not include all the costs and benefits that should have been anticipated prior to entering into the Tri-Partite Agreement.

Baseline costs

HSSBC used the baseline costs of one health authority and compared it to the proposed costs developed by the Service Provider as the key basis for decision-making. HSSBC used the health authority that had a similar service delivery model as that proposed by the Service Provider and the required data to estimate the base seat rate. This was then used to estimate all health authorities' baseline costs. Using only one health authorities' costs creates a greater risk that the baseline costs are inaccurate. Since this was a key point of comparison this is a significant risk.

HSSBC had difficulty obtaining comparable baseline information from all the health authorities, which

posed significant challenges in establishing a more certain baseline estimate. Each health authority had different delivery models for workstation services, and not all had good estimates on the number of devices or costs for services. There was one other health authority that provided costing information to HSSBC but it was not clear if it was used to estimate existing health authority costs. The information provided by this health authority was not complete and the delivery model used made it difficult to use as a key point of comparison.

Benchmarking to the market

We were unable to confirm that HSSBC used benchmarking to compare the baseline estimates to the market. In addition, HSSBC gave the Service Provider its baseline costs estimate before the Service Provider delivered their proposal. The Service Provider therefore could have offered a lower price than the baseline, but it may not have been lower than what could have been found in the open market. HSSBC completed a preliminary market analysis to determine the benchmark for similar services. However, we were unable to confirm that the baseline estimate provided to the Service Provider through the negotiation process was based upon this market analysis. Benchmarking would have bolstered HSSBC's negotiation position with the Service Provider and better demonstrated to health authority decision-makers that they were getting value for money.

KEY FINDINGS AND RECOMMENDATIONS

Not all costs and benefits were clearly described and quantified

HSSBC's business analysis was fragmented which created challenges in confirming the full and final quantification of expected costs and benefits and the associated assumptions. In looking at the different documents prepared, we noted that not all the expected costs and benefits of onboarding were clearly articulated and quantified.

Significant gaps in the analysis included some that were not quantified:

- ◆ cost-savings from onboarding, rather than going back to market for a new procurement
- ◆ potential costs associated with the risk of reduction in services and service levels
- ◆ expected contract management costs

And some that were not included:

- ◆ potential risk of staff redundancy costs, such as layoffs, that will be incurred upon termination of the service provider's services
- ◆ costs of providing space for service provider employees for the contract term

We were unable to determine if health authorities gave the appropriate approvals

In December 2010, the Deputy Minister of MTICS gave the final, internal approval of the two-year term extension of the Master Services Agreement. However, there was no oversight body, or requirement for one,

to confirm whether onboarding the health authorities was appropriate. As a result, MTICS did not bring the decision or its strategy to Treasury Board, or any other, similar independent oversight body.

TREASURY BOARD

Treasury Board is Cabinet's committee responsible for government's budget and financial management. Treasury Board Staff are responsible for developing and reviewing government's economic and fiscal policies and providing analysis and advice to Treasury Board. This advice is expected to help Treasury Board make well-informed decisions on spending management, budget priorities, and the government's fiscal and capital plan. Treasury Board Staff make recommendations that are expected to promote the effective and efficient use of public resources.

HSSBC's customers are the six health authorities in B.C. HSSBC did not have the ability to require the health authorities to take any action. HSSBC is able to achieve its purpose by working with the health authorities through agreements with them, such as the 2010 memorandum of agreement.

The HSSBC board and all health authority-customers, must approve any proposed contract that:

- ◆ is worth more than \$10 million
- ◆ has services provided by a third party
- ◆ has HSSBC as the agent of the health authorities

KEY FINDINGS AND RECOMMENDATIONS

The Tri-Partite Agreement that onboarded the health authorities to the 2004 Master Services Agreement is one such contract.

On December 16, 2010 HSSBC's Management Board voted in favour of HSSBC onboarding the health authorities to the 2004 Master Services Agreement. The vote was six in favour, one abstained and one opposed. The vote tally did not record who voted in favour, abstained, or opposed. And the motion was recorded as being carried.

On the face of it, there are no significant issues with the vote. However, in the Management Board's meeting that immediately preceded the vote, at least one health authority continued to have questions about the contract, stating that "the [health authority's] Board will not give approval to sign the contract" and noted specifically that:

- ◆ there was uncertainty on what the costs will be
- ◆ there was no definite contracting information on pricing
- ◆ the agreement was going from four years to six years
- ◆ the financial information was not fully documented
- ◆ parts of the deal were out-dated, particularly for clinical areas
- ◆ there were unanswered questions on call centre costs
- ◆ the benefit to taxpayers was unknown

This health authority felt they were not yet in a position to approve the deal because:

- ◆ it was not clear if they were being asked to pay more under the deal
- ◆ they were not clear about what they would be getting from the Service Provider
- ◆ they wanted to see a business case

HSSBC was unable to answer the health authority's questions at the December 16th Management Board meeting.

HSSBC could not say with certainty that each health authority-customer voted in favour of the contract with the Service Provider. There are six health authorities and there were eight votes. Two members did not vote in support of the motion. These two members may or may not have been health authorities.

Soon after the HSSBC board meeting, each health authority completed a statement of work that approved HSSBC to onboard each health authority to the 2004 Master Services Agreement. This could be evidence to support the health authorities' vote in favour.

There is, however, a danger in relying on the statements of work as evidence that each health authority voted to approve onboarding to the 2004 Master Services Agreement. The vote to approve onboarding was not unanimous and at least one health authority felt it was not in a position to approve onboarding immediately prior to the vote. And yet, the vote was carried. HSSBC did not provide evidence that the proper procedures were used to approve the Tri-Partite Agreement.

KEY FINDINGS AND RECOMMENDATIONS

In summary

The difficulty we encountered in this audit is that onboarding *may have been* the best solution for the health authorities, but because the decision was made with a high degree of uncertainty, *we cannot say for certain that it was*.

It is also important to remember that the majority and possibly all of the health authorities voted in favour of the onboarding opportunity. But because the organizations failed to complete what we would expect to be adequate due diligence, they could not demonstrate whether this decision was the best option, or if it was likely to achieve cost-savings and other benefits.

The issues raised by that one health authority were pertinent and beg the question: **why was there limited due diligence completed by the parties?**

WHAT CONTRIBUTED TO LIMITED DUE DILLIGENCE?

Strong belief in onboarding the broader public sector

There was a strong belief that the expansion of alternative service delivery contracts to the broader public sector would result in cost savings. MTICS determined that there were possible cost savings or cost avoidance through the expanded use of alternative service delivery agreements and that government may

benefit from adding organizations to existing contracts that have volume-based discounts.

MTICS were strong advocates for expanding these agreements to the broader public sector. The workstation support contract was a significant opportunity to achieve these anticipated benefits. In this case, core government received a 15% base seat rate discount when the health authorities were onboarded to the 2004 Master Services Agreement. The decision to pursue onboarding allowed MTICS to demonstrate that onboarding the broader public sector to existing alternative service delivery contracts could achieve cost savings and/or volume-based discounts for core government. However, as we pointed out, there was no overall business analysis completed to demonstrate that savings would be in place for both core government and the health authorities. In fact, preliminary estimates suggested that there was a high risk that cost savings for the health authorities may not be realized.

In addition, MoH also supported the onboarding of the health authorities from the outset. There is evidence that MoH placed pressure on HSSBC to move ahead with onboarding without considering alternative procurement options.

The roles and responsibilities of MoH and HSSBC were unclear

We found the governance arrangements between MoH, HSSBC, and the health authorities to be unclear. This lack of clarity caused tension, and limited the due diligence undertaken by all parties.

KEY FINDINGS AND RECOMMENDATIONS

Starting in 2009, MoH worked with MTICS and HSSBC to onboard the health authorities to government's 2004 Master Services Agreement. In this process, MoH provided oversight, input and linkage to e-Health strategy and initiatives, and was responsible for "securing the appropriate approvals as required."

MoH could have directed the health authorities to onboard, but it did not. A senior MoH official did, however, state that if the estimated support service costs provided by the Service Provider were close to the baseline costs, then the health authorities would be required to onboard to the 2004 Master Services Agreement.

This suggests that MoH encouraged the health authorities to onboard to the 2004 Master Services Agreement before a due diligence analysis was finalized, and before it was determined that they could onboard. We have also been told that throughout the due diligence process, MoH representatives on the HSSBC board and other joint committees placed pressure on the health authorities to onboard. By exerting pressure to onboard, MoH worked against HSSBC's mandate to explore various options to find the best possible solution for the health authorities.

HSSBC was the agent of the six health authorities and had the responsibility to find the best approach for the health authorities and to ensure that direct economic benefit or disadvantage did not accrue to any one health authority. In completing its responsibilities, it was incumbent on HSSBC to find the products and approaches that provided the best outcomes for the health authorities and that any savings were to be shared across all users - even when it was pressured by the MoH to pursue one option.

As a good practice recommendation, if an agreement does not meet the needs of the health authorities, it is critical for HSSBC to stop or change direction. The ability of HSSBC to stop or redirect efforts requires clear governance and clear roles and responsibilities between the MoH, and HSSBC.

Tight timelines

Good practice expectations for deals of this magnitude should include:

- ◆ a clear understanding of health authority needs
- ◆ demonstration of cost savings and improvements in service levels
- ◆ confirmation of compliance with legislation and trade agreements
- ◆ negotiation of terms to ensure that the contract reflects the needs of users
- ◆ appropriate governance and change mechanism
- ◆ a transformation plan for services.

This is a significant undertaking.

HSSBC and the health authorities began working together in 2009 to establish a shared service model for workstation support services. Between March of 2010 and December 2010 when the agreement was signed, a majority of due diligence activities took place. This tight timeframe contributed to limitations in some due diligence activities.

KEY FINDINGS AND RECOMMENDATIONS

Government's oversight of onboarding arrangements was weak

We observed that the Government of British Columbia's oversight of this scale of onboarding onto an existing alternative service delivery contract to the health authorities was inadequate. There were no expectations in place regarding what financial and legal/ policy analysis (due diligence) was required, and no requirements for an independent review of the decision, prior to approving the onboarding and extending the contract.

Since the time period that we audited, government has introduced the Strategic Partnerships Office to provide support to organizations managing alternative service delivery agreements and contracts. However, government's oversight of similarly large onboarding initiatives needs improvement to ensure the principles of fair and open public sector procurement are adhered to, and a comprehensive analysis of costs and benefits is undertaken. Our recommendations, therefore, focus on enhancing government expectations for core government and all organizations within the broader public sector.

We found that the Core Policy and Procedures Manual contained a significant amount of policy guidance regarding procurement and contract management. However, it does not include enough guidance and policy specific to the onboarding of entities or other large-scale changes to alternative service delivery contracts. In addition, broader public sector entities are not required to follow core policy, but instead, are expected to put in place policies that meet the *spirit*

and intent of the Core Policy and Procedures Manual. What the spirit and intent means in practice is unclear.

CORE POLICY AND PROCEDURES MANUAL (CPPM)

The CPPM incorporates the objectives of government procurement processes, references the applicable sections of trade agreements that are binding on government, and the policy and procedures that ministries are obligated to follow when carrying out procurement activities for goods, services, and construction.

We reviewed the *Financial Administration Act* and the Capital Asset Management Framework to determine whether MTICS was required to bring the onboarding decision to Treasury Board. We found there were no legal or policy requirements in that Act or Framework that specifically required MTICS to seek or gain approval from Treasury Board, or any other central oversight body, in order to onboard the health authorities to the 2004 Master Services Agreement.

In 2003, MTICS established the Alternative Service Delivery Secretariat which played an oversight role throughout the 2003 JSRFP process, to help ministries ensure the legal and ethical integrity of alternative service delivery projects. This Secretariat was disbanded in 2008. As a result, there was no similar oversight body in place at the time of onboarding.

This meant that responsibility for carrying out due diligence was left to the organizations involved.

KEY FINDINGS AND RECOMMENDATIONS

After onboarding the health authorities, the B.C. government took steps to enhance the oversight of these contracts. MTICS established the Strategic Partnerships Office in 2012 with a mandate from Treasury Board to provide “oversight, leadership, policy and governance to alternative service delivery contracts and other complex high-value services contracts and opportunities across the B.C. government and broader public sector.”

The Strategic Partnerships Office does have a mandate to review deals and provide advice to deal offices (those that oversee alternative service delivery arrangements such as HSSBC). However, it did not exist at the time and at the time of our audit did not have clear expectations for due diligence for

situations similar to the Tri-Partite Agreement. In addition, the Strategic Partnerships Office sits within MTICS, and therefore is not fully independent from those responsible for delivering shared services and managing a number of these contracts.

Our recommendations to the Government of British Columbia include:

- ◆ clarify roles and responsibilities for oversight
- ◆ require an independent (outside of the contracted organizations) review of these large decisions
- ◆ set clear expectations for due diligence
- ◆ better public reports on results.

APPENDIX A: ADDITIONAL ASD CONTRACTS OVERSEEN BY THE STRATEGIC PARTNERSHIPS OFFICE, 2014/15

APPENDIX A: ADDITIONAL ASD CONTRACTS OVERSEEN BY THE STRATEGIC PARTNERSHIPS OFFICE, 2014/15

Deal	Vender	Current Value	Existing On Board Provisions	End of Term
MyEducationBC	Fujitsu	\$106 Million	Yes	2025
Overview of Deal				
<p>The My Education BC deal provides application hosting and support services for BC's Student Information System. This new deal, known as My Education BC, is currently in transition from the previous BCeSIS system. The BCeSIS system will be decommissioned as of March 2016.</p>				
Deal	Vender	Current Value	Existing On Board Provisions	End of Term
Facilities	Brookfield	\$2.5 Billion	Yes	2019
Overview of Deal				
<p>In 2004, SSBC (formerly BC Building Corporation, then Accommodation and Real Estate Services) outsourced the property management of the B.C government's real estate portfolio, along with asset maintenance, project management services, and environmental /pollution prevention and technical value services to Brookfield Johnson Controls Workplace Services Inc.</p>				
Deal	Vender	Current Value	Existing On Board Provisions	End of Term
HIBC	Maximus	\$737 Million	Yes	2020
Overview of Deal				
<p>The Ministry of Health entered into a long term agreement with MAXIMUS Inc. to transform and deliver Health Benefits Operations services. The resulting contract delivers management of Health Insurance BC registration and claims processing functions, including transformation of business process and technology.</p>				

APPENDIX A: ADDITIONAL ASD CONTRACTS OVERSEEN BY THE STRATEGIC PARTNERSHIPS OFFICE, 2014/15

Deal	Vender	Current Value	Existing On Board Provisions	End of Term
Hosting	HPAS	\$876 Million	Yes	2021/24

Overview of Deal

The B.C. government signed a Master Services Agreement in March 2009 for managed hosting services (12 years) and data centre services (15 years). Since signing, the province has re-aligned a number of key components of the contract, which is expected to improve service delivery and achieve cost savings over the life of the deal.

Deal	Vender	Current Value	Existing On Board Provisions	End of Term
HRMS	TELUS	\$233 Million	Yes	2019

Overview of Deal

On November 15, 2004, the B.C. government entered into a ten year Master Standing Agreement with TELUS Sourcing Solutions Inc. through a Joint Solution Request for Proposal process. The scope included: payroll and benefit services, contact centre and application management/application development. Additional human resources systems have increased the scope of services under the agreement, beyond Payroll Operations Information Management and Payroll.

Deal	Vender	Current Value	Existing On Board Provisions	End of Term
Microsoft	Microsoft	\$26 Million	No	2017

Overview of Deal

This agreement represents a corporate licensing agreement for Microsoft software products and applications. A new contract was signed in April 2014. The new agreement is a three-year contract with Microsoft from 2014-2017.

Deal	Vender	Current Value	Existing On Board Provisions	End of Term
Oracle	Oracle	\$45 Million	No	2018

Overview of Deal

The five year licencing agreement for Oracle software products and applications was signed in 2012.

APPENDIX A: ADDITIONAL ASD CONTRACTS OVERSEEN BY THE STRATEGIC PARTNERSHIPS OFFICE, 2014/15

Deal	Vender	Current Value	Existing On Board Provisions	End of Term
Revenue	HPAS	\$1 Billion	No	2020

Overview of Deal

The Revenue Management Services contract is expected to create an integrated and streamlined business and systems environment focused primarily on the consolidation of non-tax revenue management functions across government. The contract is designed to leverage private sector expertise, technology, and investment capital to improve a wide spectrum of government revenue management processes from collections, billing, accounts management to payment and remittance processing.

Deal	Vender	Current Value	Existing On Board Provisions	End of Term
Service BC	IBM	\$42.6 Million	Yes	2016

Overview of Deal

A Master Services Agreement between the B.C. government and IBM Canada was signed on June 29, 2006, the scope of which includes the management and operation of Service BC's contact centre and portal environments, as well as various projects to improve service delivery such as the development of a channel management strategy to provide the framework for integration efforts within and across Service BC's service channels. IBM is the prime contractor, with Robertson Telecom as the subcontractor. Since the contract was signed, the scope has been reduced significantly from the initial procurement, resulting in the current contract almost exclusively being focused on the contact centre. This restructuring and decrease in size and scope occurred in 2011.

Deal	Vender	Current Value	Existing On Board Provisions	End of Term
Telecommunications	TELUS	\$1 Billion	Yes	2021

Overview of Deal

Provides delivery of a broad range of telecommunications services including long distance, conferencing, cellular, and voice and data network services and is expected to achieve additional benefits such as increased connectivity and cellular coverage, at no cost to taxpayers. The deal consists of three separate agreements: the Telecommunication Service Master Agreement, the Strategic Relationship Agreement and the Connecting British Columbia Agreement.

APPENDIX A: ADDITIONAL ASD CONTRACTS OVERSEEN BY THE STRATEGIC PARTNERSHIPS OFFICE, 2014/15

Deal	Vender	Current Value	Existing On Board Provisions	End of Term
Residential Tenancy	TELUS	\$7 Million	No	2017

Overview of Deal

The Residential Tenancy Branch, part of the Ministry of Natural Gas Development and Responsible for Housing, answers inquiries and resolves disputes between landlords and tenants pursuant to the Residential Tenancy Act and the Manufactured Home Park Tenancy Act. TELUS was procured for the development and management of an electronic system to administer and support a formal dispute resolution process for landlords and tenants in BC.

Deal	Vender	Current Value	Existing On Board Provisions	End of Term
ICM	Deloitte	\$52 Million	Yes	2020

Overview of Deal

In November 2007 the B.C. government published an RFP to solicit proposals for case management software, maintenance services and related consulting services, for use by the Ministry of Social Development and Social Innovation, the Ministry of Children and Family Development, and with a future focus for the possible use by the broader public sector within B.C. The current contract is now only for on-going maintenance and support.

Note: This information is reported by the Strategic Partnerships Office and is limited to core government. It does not include the broader public sector and it has not been audited by the OAG.



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