

## BOARD BRIEFING NOTE

**Topic/Issue:** Auditor General Report

**Submitted to:** Board of Directors

**Submitted by:** Katie Cronin-Wood – Communications Lead  
Marco Aguila – Corporate Business Support Manager

**Date Submitted:** October 27, 2010

**Priority Level:**  High  
 Medium  
 Low

**Action Level:**  Information Only  
 Decision

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### Purpose:

On October 20, 2010, Ontario Auditor General Jim McCarter tabled a Special Report in the Legislative Assembly entitled “Consultant Use in Selected Health Organizations”. The 32-page Special Report came after the Assembly’s Standing Committee on Public Accounts asked the Auditor General to look into the use of external consultants at the Ministry of Health and Long-Term Care (Ministry), the province’s Local Health Integration Networks (LHINs), and Ontario hospitals.

The Auditor General found that Ontario’s health-care sector makes extensive use of consultants “without following sound business practices in their selection and oversight.”

The purpose of this Briefing Note is to provide the Board with information related to Central East practices and policies and our response to the Auditor General’s recommendations

### Background Information:

Auditors from the Office of the Auditor General of Ontario reviewed practices at the Ministry of Health and Long-Term Care, three of the 14 LHINs and 16 hospitals in order to create their Report. LHINs are required by their Memorandum of Understanding with the Ministry to comply with certain government directives, policies and guidelines, including the Management Board of Cabinet’s Procurement Directive. While not one of the three LHINs audited, the Central East

LHIN continually reviews our practices based the requirements outlined in the MOU and past and current directives and as documented in our Declaration of Compliance.

**Observations:**

The Central East LHIN contracts with consultants in order to provide a variety of services. In the past this has included employee recruitment, development of the Clinical Service Plan and facilitation of projects such as the Unattached Patient Assessment and e-health Timely Discharge Information Service.

In his report, the Auditor General noted some non-compliance with past and current Directives. Information presented below details the Central East LHIN's adherence to the Directives as per Figure 3 on page 15 of the Report:

(Note: Prior to the July 2009 Directives being issued by the Ministry, the CE LHIN implemented a contract file checklist which includes requirements on procurement methods, process, monitoring and deliverable and revised the purchase orders..) (See Appendix A and B)

Key Requirements of the Procurement Directive	Central East LHIN compliance
Justification for the use of consultants is documented and proper approval is obtained prior to the engagement.	Business cases, statement of purpose, purchase order system of approvals (Appendix A) , signing authority
Large contracts are procured with a minimum of three quotations or open tendering, as required. Any exceptions to the competitive procurement are formally documented and properly approved.	Purchase order system of approvals (Appendix A)
All bid proposals and related evaluation summaries are documented to support the bid award decision.	Contract File checklist (Appendix B)
Formal, signed written contracts are in place before work begins.	Contract File checklist (Appendix B)
Follow-on contracts are awarded using a separate competitive process; if not, the justification for not doing so is properly documented and approved.	Contract File checklist (Appendix B)
Invoice payments are tied to specific deliverables, expenses reimbursed are reasonable, and detailed receipts are made available upon request.	Contract File checklist (Appendix B)
Total payments to consultants are within a pre-set contract ceiling price. Additional payments are justified with proper documentation and approval.	Contract File checklist (Appendix B)
Consultants make a formal declaration of possible conflict of interest.	Contract File checklist (Appendix B)

The Auditor General also reported on his findings in the hospital sector related to the use of consultants and Supply Chain Management. His findings can be found on pages 20 – 31 of the report.

**Recommendations:**

In this report the Auditor General recommended:

*To ensure that LHINs consistently comply with the requirements of Management Board of Cabinet's Procurement Directive as it pertains to the engagement and use of consultants, the Ministry of Health and Long-Term Care should consider requiring each LHIN to provide its board of directors and the Ministry with a comprehensive annual report on its procurement and use of consultants similar to the reports required by ministries. To help demonstrate compliance with the Directive, this report should include information on the nature and timing of the assignments, the ceiling amounts of the contracts, the extent of follow-on contracts, and the total amount paid, and how the consultants were procured.*

- The Central East LHIN agrees with this recommendation and will present a detailed schedule of the procurement of consultants' contracts to the Audit Committee of the Board on a quarterly basis to ensure compliance to the directives.

The Auditor General recommended that hospital Boards of Directors ensure that mandatory supply-chain procurement policies be implemented and enforced and that hospitals should report to LHINs on the use of consultants.

- The Central East LHIN agrees with this recommendation and we will be working with our hospitals and the Ministry of Health and Long-Term Care to incorporate this reporting requirement into existing agreements.



# CE LHIN Application for Purchase Order

## PROCUREMENT PROCESS BREAKDOWN

Good or Services  
Less than \$5,000

Good or Services  
\$5,000-\$25,000

Good or Services Greater  
than \$25,000

- Check VOR
- No VOR

Checked RFT

Posted on Merx

Vendor Names (3 Quotes):

1) \_\_\_\_\_

2) \_\_\_\_\_

3) \_\_\_\_\_

Vendor Names (3 Quotes):

1) \_\_\_\_\_

2) \_\_\_\_\_

3) \_\_\_\_\_

Vendor Names (3 Quotes):

1) \_\_\_\_\_

2) \_\_\_\_\_

3) \_\_\_\_\_

Procurement Process Documents Attached

## PURCHASE ORDER

### Vendor Information

Vendor Name: \_\_\_\_\_

Contact Name: \_\_\_\_\_

Phone #: \_\_\_\_\_

Street Address: \_\_\_\_\_

City, Province: \_\_\_\_\_

Postal Code: \_\_\_\_\_

Date: \_\_\_\_\_

**Purchase Order #**

\_\_\_\_\_

Item #	G/L Account Name	G/L Account #	Cost Centre Name	Cost Centre #	Allocation Total

Sub Total	\$	-
Sales Tax	\$	-
Total	\$	-

### Purchase Order Approval

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Company Code:

Posting Period:

Invoice Received By: \_\_\_\_\_

Date Invoice Received: \_\_\_\_\_

Supplier Name:

Invoice Number:

Invoice Total: \$

Invoice Date:

## BREAKDOWN OF EXPENSES BY GL ACCOUNT AND COST CENTRE

Line	G/L Acct. Name	G/L Acct. #	Cost Centre Name	Cost Centre #	Internal Order Name	Internal Order #	Allocation%	Allocation Amt
0		0					100.00%	\$0.00
0		0						\$0.00
0		0						\$0.00
								<b>\$0.00</b>

## APPROVAL SIGNATURES (REQUIRED)

Approved by:

Signature: \_\_\_\_\_

Secondary Signature  
(if required)

Signature: \_\_\_\_\_

Name (print): Marco Aquila  
*Business Support Manager*

Name (Print): \_\_\_\_\_

# Corporate Documents Checklist

## Contract Information

Vendor Name	Document Number:	
Value of Service	Start Date	End Date

Procurement Checklist	Additional Notes
<input type="checkbox"/> Business Case/ Project Charter/ Statement of Purpose	
<input type="checkbox"/> Documents of Competitive process related to the procurement process itself: RFP, VOR, MERX (including any evaluation documents)	
<input checked="" type="checkbox"/> All Contract(s) with the vendor as per Delegation of Authority	
<input type="checkbox"/> Documents regarding monitoring of the work of the consultant	
<input type="checkbox"/> Documents of a knowledge transfer plan	
<input type="checkbox"/> Reports/ documents prepared by the consultant, along with when those reports were submitted	
<input type="checkbox"/> Post-service evaluations	
<input checked="" type="checkbox"/> A listing of all <u>payments</u> made to the vendor by the LHI N	
<input type="checkbox"/> Signed delegation of Conflict of Interest	

Payment Financials	Signatures (yes/ no)
<input type="checkbox"/> Approved Value of Service	
<input type="checkbox"/> Q1 Report	
<input type="checkbox"/> Q2 Report	
<input type="checkbox"/> Q3 Report	
<input type="checkbox"/> Year End Report	

**Notes:**

**Reviewed by Business Support Manager:** \_\_\_\_\_

**Approved of Chief Executive Officer:** \_\_\_\_\_