



# *City of Albuquerque*

## **Office of Internal Audit**

FOLLOW-UP  
USE AND MANAGEMENT OF STAFFING AGENCY  
EMPLOYEES

Report #18-15-107F

April 25, 2018

### **INTRODUCTION**

The Office of Internal Audit performed a follow-up of Audit No.15-107, Use and Management of Staffing Agency Employees. The purpose of this follow-up is to report on the progress made by the City of Albuquerque's (City's) Chief Administrative Officer (CAO) in addressing the audit findings and recommendations. Follow-up procedures rely on the department or administrator providing the status of the recommendations.

A follow-up is substantially less in scope than an audit. The objective is to report on the status of corrective action in regards to the audit findings and recommendations.

We limited the scope to actions taken to address the audit recommendations from the final audit report dated June 24, 2015 through the submission of actions taken by the CAO on March 16, 2018.

### **BACKGROUND**

The use and management of vendor staffing agency employees has become a common component in the City's operations. During the audit, 17 of the 26 City departments used staffing agency employees. In addition, the City's spending on staffing agency employees increased from \$6.2 million in fiscal year (FY) 2010 to \$10.7 million in FY 2014 (72%).

Staffing agency vendor contracts detail the specific positions the vendors can supply and the corresponding bill rate that must be paid for that position. Most of the user department personnel responsible for obtaining, using, and managing staffing agency employees were not aware of the contract terms, request for bid (RFB) terms, and policies and procedures (P&P) related to staffing agency employees.

This lack of awareness led to inconsistent compliance with rules and regulations over obtaining, using, and managing staffing agency employees. Due to this, staffing agency employees were not properly requested; were used for periods longer than permitted; and performed duties not consistent with the positions they were hired to fill. In addition, overcharges on vendor invoices for some staffing agency employees were not identified by the user departments.

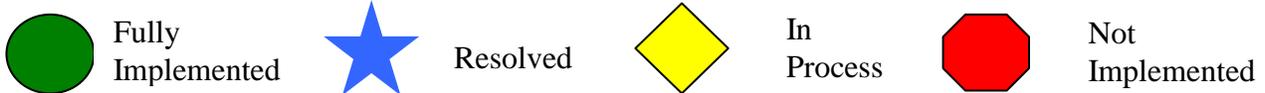
Currently the Department of Finance and Administrative Services (DFAS) manages and monitors staffing agency employees with the understanding that this responsibility will be taken over by the Human Resources Department (HRD).

On October 24, 2016, the City awarded contracts to three staffing agency vendors. As of April 17, 2018, the City spent \$9.2 million on staffing agency employees for FY2018.

**SUMMARY**

Of the three recommendations addressed in the original report, one has been fully implemented and two are in process.

The status of each recommendation is identified by the symbols in the following legend:



**Recommendation #1** The CAO should:

- Assess the number of staffing agency employees used by the City and determine if the amount of use is appropriate based on department needs.
- Appoint one City department with overall responsibility for monitoring and managing the use of staffing agency employees by City departments. Based on information gathered from other U.S. cities, the HR Department may be the most logical department for this responsibility.

**Response:** *“CAO agrees that the number of staffing agency employees used by the City should be assessed and reviewed, however the CAO maintains that the responsibility will continue to reside with the individual department.*

- *The number of staffing agency employees is and will continue to be under review to achieve maximum efficiencies for the City.*
  - *The primary advantages to utilizing staffing agencies for temporary services are the lower cost; the faster turnaround time compared with the normal City hiring process, and increased flexibility with respect to City business needs. Centralized monitoring and managing of this process will diminish both the cost and time advantages of utilizing temporary staffing. In addition, the recommendation is premised on the information collected from fourteen (14) cities. A review of the information support that the HR department oversight is a best practice. As detailed in Appendix B of the Audit Report 6 or 42% of cities assign overall responsibility to the Human Resources Department; in contrast 7 or 50% place the responsibility with individual departments to administer hiring of temporary staff through staffing agencies. No data gathered supports any conclusions about either monitoring technique being superior in terms of consistency, process time, or amount spent by the agencies. For example, Mesa, Arizona by far spends the largest percentage of its budget and the largest amount per full time employee on temporary employees, which are managed centrally with the HR Department. In other words, there is not necessarily a direct relationship between using a centralized department to manage these services and the amount spent on those*

*services. The majority of cities leave the process to individual departments and the data are not sufficiently persuasive to undertake the added costs of central administration and the loss of flexibility and timelines. Therefore, the responsibility for monitoring and managing staffing agency employees will reside with the individual departments.”*

*Estimated Completion Date: “With respect to the first bullet item recommendation, the activity will be ongoing.”*

**Status Reported by the CAO:** “The new Administration agrees with the original finding and will assign HRD the overall responsibility for monitoring and managing the use of staffing agency employees by City Departments. This will also address bullet one, dealing with the analysis recommended regarding number of staffing agency employees used. HRD currently does not have the resources for this function, but will create a part-time position to create capacity accordingly.”



**In Process**

*The Keller Administration is in the process of assigning a centralized department to manage and monitor staffing agency employees. Currently DFAS is managing and monitoring staffing agency employees, which will be transferred to HRD. HRD has met with DFAS to determine the skill set needed to perform the managing and monitoring functions, and will create a part-time position to maintain the processes.*

**Recommendation #2** The CAO should:

- Ensure the HR Department or other department with overall responsibility for staffing agency contracts:
  - Updates current P&P on using staffing agency employees.
  - Ensures distribution of contracts, RFB documentation, and P&P to City personnel in charge of obtaining, using, and managing staffing agency employees.
  - Provides training to City personnel in charge of obtaining, using, and managing staffing agency employees to ensure they fully understand all of the rules, regulations, and P&P.
  - Performs a monthly review of:
    - Requests to obtain or extend staffing agency employees against reports provided by the vendors detailing staffing agency employees who are working at the City to ensure requests exist, and have been approved by the appropriate individuals.
    - Staffing agency reports to ensure employees have not been used at the City for more than two consecutive years, or if they have been used for two consecutive years, that the employees take at least a 90-day break before

being obtained again by the City.

- Staffing agency reports to ensure that if any of the staffing agency employees are previous City employees, they have taken at least a 90-day break between being permanent City employees and coming back as staffing agency employees.
- Staffing agency reports to ensure the positions and bill rates listed are accurate.
- Performs quarterly observation and inquiry of a random sample of staffing agency employees to ensure the job duties they are performing correspond to the positions they were obtained for.

**Response:** *“CAO agrees that the HR Department will play a role in the compliance of staffing agency employees and recommends that DFAS Purchasing also partakes in the role.*

- *To ensure compliance with the staffing agency usage, the HR Department will be charged with drafting an Administrative Instruction for the Administration’s approval regarding the proper usage of staffing agencies for temporary employees. The DFAS Purchasing Division will be instructed to post the Administrative Instruction and the staffing agency contracts with the appropriate policies and procedures on its SharePoint website.*
- *DFAS Purchasing and the HR Department will jointly sample records on a quarterly basis to ensure policies are being followed.*
- *In coordination with HR, DFAS Purchasing will provide training at least once every three years with respect to the usage of the staffing agencies and temporary employees at its Purchasing Liaison User Group meetings (PLUG).”*

**Estimated Completion Date:** *“To be completed no later than the second quarter of FY16.”*

**Status Reported by the CAO:** *“At this time, DFAS is solely reviewing the records on a monthly basis. Going forward HRD will hire a part time person, which will free up capacity for the duties noted in this finding, including the training noted below.*

- In the past twelve months, DFAS Purchasing Division has conducted approximately five trainings that exclusively involved the usage of the staffing agencies and temporary employees. DFAS Purchasing Division has also addressed training issues in the regularly scheduled PLUG meetings. Training will be ongoing.
- Administrative Instructions were updated in 2017. The HRD was not tasked with preparing an Administrative Instruction regarding staffing agency employees nor were we aware this was recommended. HRD will prepare an Administrative Instruction to provide direction to Departments regarding staffing agency employees.



**In Process**

*DFAS currently reviews the staffing agency employee reports each month to ensure compliance with usage requirements. The DFAS Purchasing Division also addresses training issues in the regularly scheduled PLUG meetings.*

*However, HRD has not completed an Administrative Instruction to address the proper use and management of staffing agency employees.*

**Recommendation #3** The CAO should:

Approve the Purchasing Division RFB issuance for the contracts for staffing agency employee services.

**Response:** *“The CAO agrees”.*

*Estimated Completion Date: “The request for Bid shall be issued no later than August 30, 2015.”*

**Status Reported by the CAO:** *“The DFAS Purchasing Division issued a Bid (B2017000009) and awarded a contract to Rivenrock Staffing LLC (Contract No. 709175).”*



**Fully Implemented**

*The CAO approved the DFAS Purchasing Division’s RFB, and Rivenrock Staffing LLC was selected as the primary vendor for temporary staffing services. Excel Staffing and ATA Services Inc. are secondary and tertiary vendors, respectively. Each of the three contracts began on October 24, 2016.*

Follow-Up  
Use and Management of Staffing Agency Employees - Citywide  
April 25, 2018

#18-15-107F

SUBMITTED:

---

Principal Auditor

REVIEWED:

---

Senior Information Systems Auditor

APPROVED:

---

Lawrence L. Davis, Acting City Auditor  
Office of Internal Audit

APPROVED FOR PUBLICATION:

---

Chairperson, Accountability in  
Government Oversight Committee