



October 28, 2015

**Performance Audit**

**Citywide – Staffing Agency Vendor  
Contract Compliance**

City of Albuquerque

**Report No. 15-110**

**Adecco**

**better work, better life**

**CITY OF ALBUQUERQUE  
OFFICE OF INTERNAL AUDIT**

PERFORMANCE AUDIT REPORT  
STAFFING AGENCY VENDOR CONTRACT  
COMPLIANCE – ADECCO  
REPORT NO. 15-110

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# Staffing Agency Vendor Contract Compliance Adecco

Citywide

10/28/2015

Audit #15-110

The purpose of this audit was to review, test, and report on the staffing agency vendor compliance with contract and request for bid terms for an 18-month period from July 1, 2013 through December 31, 2014.

## Summary

Between fiscal year (FY) 2010 and FY 2015 the City of Albuquerque (City) paid Adecco Employment Services Incorporated (Adecco) approximately \$23.3 million for staffing agency services. Of that, \$8.2 million was paid during the 18-month audit testing period of July 1, 2013 through December 31, 2014. The most significant issue identified during testing was the net over billings of \$514 (0.47%) on a sample of 24 invoices. If the error amount of \$514 is extrapolated to the entire \$8.2 million paid to Adecco during the 18-month period tested, it can be projected that Adecco over billed the City \$38,540.

Adecco also had issues with not ensuring other information on the invoices, and information on the periodic reports is accurate. The City relies on the information from the invoices and reports to assess use and cost of staffing agency employees, and when information is not correct it can hinder the City's monitoring process. Finally, issues were identified with Adecco filling positions that are not included on the approved contract; not removing staffing agency employees from City positions once they have worked for two continuous years; not ensuring that employees take at least a 90-day break after working at the City in any capacity for two continuous years, before placing them at the City again; and not ensuring that it receives the proper approved request forms from the City before sending staffing agency employees to fill City positions.

## Vendor's Response

Adecco's Corporate Legal is reviewing the request for a refund due to overbilling the City. Adecco agreed to implement all other recommendations.

## Recommendations



Adecco should:

- Refund the City for over billings in the amount of \$38,540.
- Perform internal review of employee records for accuracy.
- Send accurate information in a timely manner to the City.
- Fill only positions included on the approved contract.
- Ensure proper approved requests forms are received each time a position has been requested to be filled.
- Remove any staffing agency employees who have been placed at the City for more than two continuous years.
- Ensure staffing agency employees take at least a 90-day break after having worked at the City for more than two continuous years.



# City of Albuquerque

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*Office of Internal Audit*

October 28, 2015

Accountability in Government Oversight Committee  
P.O. Box 1293  
Albuquerque, New Mexico 87103

Audit: Performance  
Citywide – Staffing Agency Vendor Contract Compliance  
Adecco  
Audit No. 15-110

**FINAL**

## INTRODUCTION

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The Office of Internal Audit (OIA) conducted a Citywide performance audit of the staffing agency vendor compliance with terms outlined in the contract and request for bid (RFB). The audit was included as part of OIA's FY 2015 audit plan. Information pertaining to the audit objectives, scope and methodology can be found in **Appendix A**. This audit also included testing of Select Staffing, a second staffing agency vendor used by the City. The results of testing on Select Staffing have been detailed in a separate report. In addition, an audit was performed on the City's compliance with policies and procedures regarding obtaining, using, and managing staffing agency employees. The results of that audit have been detailed in a separate report.

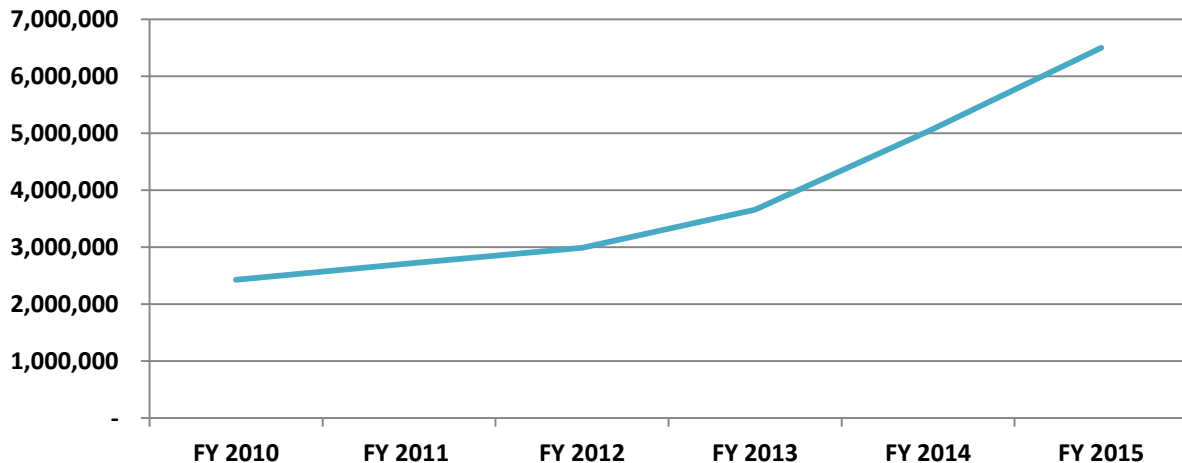
Adecco is a vendor used by the City to provide temporary staffing agency employees to supplement the City's workforce. The main reasons the City uses staffing agency services is to fill temporarily vacant positions, to fill positions for departments that do not have the budget to hire permanent City employees, and because it can be cheaper and faster to obtain staffing agency employees than to hire permanent City employees. Adecco has been providing employee staffing services to the City since FY 2008, and has been one of the most frequently used staffing agency vendors.

Within the RFB and contract with Adecco, the City has outlined the terms that all staffing agency vendors are required to comply with in providing staffing services to the City. Adecco agreed to these terms at the time it was awarded the contract. It is the vendor's responsibility to

ensure they have an understanding of the contract and RFB terms, and are consistently following them.

During FY 2010 through FY 2015 the City paid Adecco approximately \$23.3 million. The graph below details how much the City paid Adecco per fiscal year.

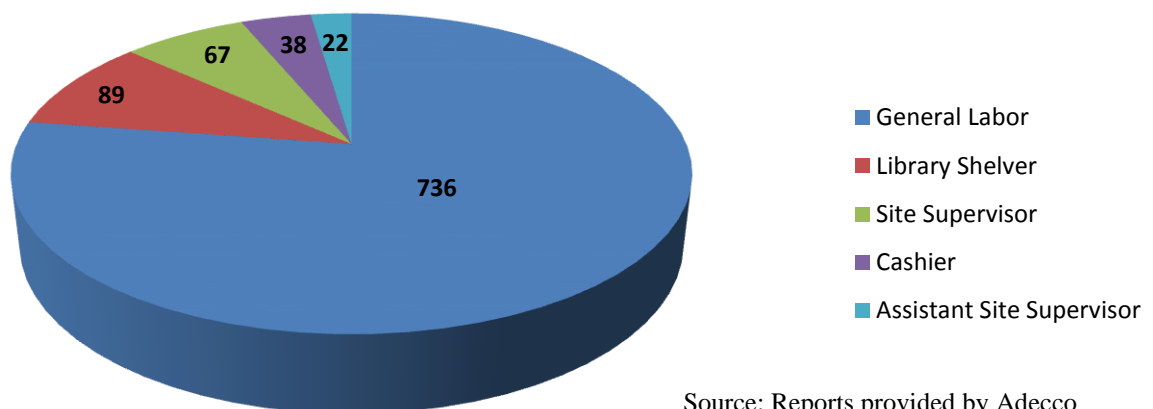
### Amount Paid to Adecco for FY 2010 to FY 2015



Source: Decision Support System

Of the \$23.3 million spent, approximately \$8.2 million was paid to Adecco during the audit test period of July 1, 2013 through December 31, 2014. During that 18-month period, Adecco filled 1,165 City positions. The chart below details the five most frequently filled positions, and how many times staffing agency employees were used to filled each position during the 18-month period. These five positions make up 82 percent of the 1,165 positions filled.

### Five Most Frequently Filled Positions



Source: Reports provided by Adecco

## FINDINGS

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*The following findings concern areas that OIA believes could be improved by the implementation of the related recommendations.*

### 1. ADECCO SHOULD ENSURE THAT INFORMATION ON INVOICES IS ACCURATE.

Adecco is not always ensuring that the information on invoices is accurate before submitting them to the City for payment. A random statistical sample of 24 invoices, which included billings for 295 staffing agency employees, was selected for testing. The information on the invoices was tested for accuracy of the bill rate, the employee position title, and if the position and bill rate listed on the invoice had been approved on the contract prior to services being performed. For the 295 staffing agency employees tested, the following exceptions were noted:

- The bill rates listed on the invoices did not match the approved bill rates on the contract for nine staffing agency employees. According to the RFB, “[n]o changes by the vendor [to the contract] shall be recognized without written approval by the City.” In addition, the RFB states, “[t]he contractor shall provide the user Department with accurate and concise billings...” Due to the invoiced bill rates not matching to the approved contract bill rates, Adecco over billed the City by a net amount of \$541 on the total amount of \$116,167 for the sample tested. The \$541 over billed on the sample tested equates to an error rate of 0.47 percent. If the error rate is applied to the entire amount of \$8.2 million that was paid to Adecco for the period of July 1, 2013 through December 31, 2014, it can be projected that Adecco over billed the City a total of \$38,540.
- The positions and bill rates listed on the invoices had not been approved by the City at the time services were performed for 23 staffing agency employees. According to the RFB, “[t]he contractor shall refer employees only to job classifications approved within the contract.” Because these were not approved positions in the contract, Adecco should not have provided staffing agency employees, and should not have billed the City for these positions. Adecco over billed the City a total of \$9,629 for the 23 staffing agency employees in the sample.

The \$9,629 over billed on the sample tested equates to an error rate of 8.29 percent. If the error rate is applied to the entire amount of \$8.2 million that was paid to Adecco for the period of July 1, 2013 through December 31, 2014, it can be projected that Adecco over billed the City a total of \$679,780 for the 18-month period. However, according to the current City Chief Procurement Officer, the previous Director of the Department of Finance and Administrative Services (DFAS) verbally changed the process on how new positions should be added to staffing agency vendor contracts, but did not clearly communicate to the vendors this new process. Due to

the conflicting communication to the vendors on how new positions should be added, the City may not request that Adecco reimburse the over billings of \$679,780 related to positions that were not on the contract at the time services were performed. The City will request reimbursement for this issue in the future if Adecco continues to fill positions that have not been approved on the contract by the City's Purchasing Division.

- The position titles listed on the invoices were not accurate, and did not reflect the actual positions filled for 23 staffing agency employees. Without correct position titles listed on the invoices, the City is not able to verify that the billing rates are accurate for the actual positions the staffing agency employees filled.

Adecco does not currently perform any internal review of employee records to ensure the information recorded is accurate. Due to this, invoices that are generated using the information from the employee records do not always reflect accurate information. In addition, no review is performed by Adecco over the invoices once they are generated, and before they are submitted to the City. It is the responsibility of Adecco to ensure that invoice information is accurate.

#### RECOMMENDATIONS:

Adecco should:

- Refund the City a total amount of \$38,540 for the billing rates on the invoices that did not match to the approved billing rates on the contract.
- Perform an internal review of employee records to ensure billing rates are in accordance with the City approved contract billing rates. In addition, Adecco should ensure employee records reflect the correct position title.
- Ensure that all positions filled by staffing agency employees are included in the approved current City contract. Adecco should contact the City's Purchasing Division to request new positions to be added to the contract, and may not fill the new positions until approval has been given by the Purchasing Division.

#### RESPONSE FROM ADECCO:

*“Our Adecco Corporate Legal is reviewing the request to refund the City of Albuquerque payment of \$38,540. No date confirmed when a decision will be made.*

*“Adecco will conduct an internal audit of employee records to ensure billing rates and correct position title are in accordance with the City approved contract billing rates and skill description. This will be completed by December 23, 2015.*

***“Effective October 8, 2015 Adecco has put a process in place that all positions filled are in accordance to the approved current City contract. If a City supervisor contacts Adecco requesting a position and bill rate that is not on the contract, Adecco will inform the City supervisor that the position they are requesting is not on the contract and Adecco will speak with the City’s Purchasing Division to get that position and bill rate approved before Adecco can send an employee. Adecco will then contact the City’s Purchasing Division to advise them of the request. Adecco understands we cannot fill a position that has not been approved by the Purchasing Division.”***

2. ADECCO SHOULD ENSURE THAT INFORMATION ON REPORTS IS ACCURATE AND SUBMITTED TO THE CITY TIMELY.

The periodic reports that Adecco is required to submit to the City do not always contain accurate information. Adecco is not ensuring that employee record information is accurate, and since the reports are generated using the employee record information, they reflect the inaccurate information. A random statistical sample of 24 staffing agency employees was selected from the reports that were submitted by Adecco between the period of July 1, 2013 and December 31, 2014. The samples were tested to see if the employees start and/or end dates, position titles, and bill rates were accurate. For the 24 staffing agency employees tested, the following exceptions were noted:

- Six staffing agency employees’ start and/or end dates listed on the report were not accurate.
- One staffing agency employee’s position title listed on the vendor report was not accurate.
- Four staffing agency employees’ hourly bill rates on the vendor reports were not accurate. These inaccuracies ranged from an under billing of \$0.52 to an over billing of \$2.35 per hour.

In addition, the reports are not submitted on a monthly basis as required by the RFB terms. Adecco usually submits the reports on a quarterly basis. However, according to the DFAS, there have been issues at times with not receiving the reports even on a quarterly basis. Adecco has not been submitting the reports on a monthly basis to the City due to a lack of understanding of the RFB terms over providing the periodic reports.

According to the RFB, “[t]he contractor shall submit monthly reports to the City Purchasing Office or its designee, which include name of employee, purchase order item number, position title, classification number, length of referral, hourly rate, requesting Department and cost incurred to date by the position.” The City needs timely reports from Adecco to accurately monitor the use and cost of staffing agency employees.



RECOMMENDATIONS:

Adecco should:

- Perform an internal review of employee records to ensure all information is accurate and in compliance with contract and RFB terms.
- Review reports for accuracy before submitting them to the City.
- Submit the reports to the City on a monthly basis.

RESPONSE FROM ADECCO:

*“Adecco will conduct an internal audit of employee records to ensure all information is accurate and in compliance with contract terms. This will be completed by December 23, 2015.”*

*“On a monthly basis Adecco Branch Manager, James Trujillo will review and submit to the City Purchasing Department reports that include name of employee, purchase order item number, position title, and classification number, length of referral, hourly rate, requesting department and total cost incurred. These will reports will be emailed starting in November 2015.”*

3. ADECCO SHOULD ENSURE IT IS COMPLYING WITH CONTRACT AND RFB TERMS RELATED TO PROVIDING STAFFING AGENCY EMPLOYEES TO THE CITY.

Adecco is not always ensuring that the proper approved request form is received before supplying staffing agency employees to fill City positions. A random statistical sample of 24 staffing agency employees who worked at the City during the period of July 1, 2013 through December 31, 2014 was selected for testing. The sample was tested to see if Adecco had run the appropriate background check on the staffing agency employees, verified that the staffing agency employees had the proper qualifications for the positions they filled, and if the approved request forms had been received from the City prior to sending the staffing agency employees to fill the position. Adecco did not have the approved request forms for 17 of the 24 staffing agency employees tested.

According to the RFB, “[a]s per the City policy and procedures, awarded vendor(s) may fill job requests only after receiving proper written authorization...” Adecco is not obtaining the proper approved request forms prior to filling positions at the City due to a lack of understanding of the RFB terms that must be followed when supplying staffing agency employees to the City. Adecco could cause unapproved costs to be incurred, which may not be paid by the City when staffing agency employees are not properly approved before working.

RECOMMENDATIONS:

Adecco should:

- Ensure that it receives the proper approved request form prior to filling any City position.
- Ensure that it maintains a copy of all proper approved request forms for verification purposes.

RESPONSE FROM ADECCO:

*“Adecco will ensure that we will not place an employee without receiving the attached request for usage from the City of Albuquerque. Adecco will retain all of these requests. Adecco started receiving these requests September 2015.”*

4. ADECCO SHOULD ENSURE IT IS COMPLYING WITH STAFFING AGENCY EMPLOYEE SERVICE TERMS.

Adecco is not pulling staffing agency employees from positions after they have worked at the City for two consecutive years. In addition, Adecco is not ensuring that staffing agency employees take at least a 90-day break after working for two consecutive years at the City, and before placing them in another City position. A review was performed on the work span of the 886 staffing agency employees used at the City between July 1, 2013 and December 31, 2014, to see if any staffing agency employees had been used for more than two consecutive years, or if any employees had not taken the required 90-day break after working for two consecutive years, and then being placed again at the City. For the 886 staffing agency employees reviewed, the following exceptions were identified:

- Twenty-four staffing agency employees were used at the City for more than two consecutive years.
- Three staffing agency employees were used for two consecutive years, released, but then placed at the City again less than 90-days later.

According to the request for bid (RFB),

[i]t is the City's policy to allow temporary workers to remain working for the City for no more than a continuous two year period. Under the contract resulting from this RFB, the contractor will not be allowed to assign a worker to any City position who has worked for the City continuously for two years unless there is a 90-day break in service for that worker during which time he or she has not worked for the City in any capacity. The contractor will be responsible for identifying such workers before placing them in City assignments and removing any workers from assignments once they reach the two year limit.

Adecco is not pulling staffing agency employees from the City after they have worked two consecutive years, and is not ensuring that staffing agency employees take at least a 90-day break after working for two consecutive years before placing them at the City again. This is due to a lack of understanding of the contract and RFB terms that must be followed by staffing agency vendors regarding the service terms for employees. Adecco is potentially creating a liability for the City because having staffing agency employees at the City for more than two consecutive years, or not ensuring staffing agency employees take the required 90-day break after working for two consecutive years, may make the line between being a permanent City employee and a staffing agency employee less distinguishable. This in turn may cause staffing agency employees to feel that they are due permanent employee benefits from the City.

RECOMMENDATIONS:

Adecco should:

- Perform monthly reviews to ensure staffing agency employees who will have been at the City for almost two consecutive years are identified, and notify the City that the employees will be removed from the positions.
- Ensure that staffing agency employees who have been at the City for two consecutive years are pulled from the assignment, unless specific written permission has been granted by the City's Chief Administrative Officer to retain the staffing agency employee for a period longer than two consecutive years.
- Ensure staffing agency employees who worked at the City in any capacity for two consecutive years take at least a 90-day break before placing them at the City again.

RESPONSE FROM ADECCO:

*“Adecco will ensure no employee will work at the City in any capacity for two consecutive years without taking a 90 day break before placing them at the City on another assignment.”*

*“Adecco Branch Manager, James Trujillo will conduct a monthly audit to ensure Adecco employees who will have been at the City for almost two years are identified, and notify the City employee that the Adecco employee will be removed from the position once two years have been worked.”*

*“Adecco has conducted an audit on October 8, 2015 and have removed all Adecco employees who have worked two consecutive years.”*

## CONCLUSION

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Between FY 2010 and FY 2015, the City paid Adecco approximately \$23.3 million to provide temporary staffing agency employees to help supplement the City's workforce. As part of the contract, Adecco is required to comply with the terms that are detailed in the contract and RFB. However, based on the testing and review results of this audit there are several areas where Adecco is not following the contract and RFB terms.

Adecco is not ensuring that the information on the invoices and periodic reports is always accurate. This has led to incorrect costs on invoices, and estimated over billings of \$38,540. In addition, by not ensuring information on invoices and reports is accurate, Adecco hinders the City's ability to perform proper reviews of the information.

Adecco is not ensuring that approved request forms are received each time the City needs to obtain a staffing agency employee. This is a requirement that staffing agency vendors must follow when supplying staffing agency employees. Without verifying that appropriate City personnel have approved the acquisition of these employees it could cause unapproved costs to be incurred, and may ultimately require Adecco to refund the City for the unapproved costs.

Finally, Adecco is not pulling staffing agency employees from positions after they have been at the City for more than two consecutive years. Adecco is also not making sure that employees who have worked at the City in any capacity for more than two consecutive years take at least a 90-day break before placing them at the City again. This could cause a potential liability for the City if staffing agency employees, who have been used at the City for a continuous two-year period, feel that they are due permanent City employee benefits. It is imperative that Adecco ensure all contract and RFB terms are being complied with, and that all information sent to the City is accurate and complete.

We wish to thank the staff of Adecco who provided their time and assistance during the staffing agency vendor contract compliance audit.

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Principal Auditor

REVIEWED and APPROVED:

APPROVED FOR PUBLICATION:

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Debra Yoshimura, CPA, CIA, CGAP  
Director, Office of Internal Audit

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Chairperson, Accountability in  
Government Oversight Committee

## APPENDIX A

### OBJECTIVES

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The objectives of the staffing agency vendor contract compliance audit were to determine:

- Is the information on the vendor's invoices accurate?
- Are reports submitted to the City by the staffing agency vendor accurate?
- Is the staffing agency vendor complying with reporting and employee terms?

### SCOPE

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OIA's responsibility is to offer reasonable and not absolute assurance as to the operating effectiveness and efficiency of the staffing agency vendor contract compliance. Therefore, our audit did not include an examination of all functions, activities, and transactions related to the staffing agency vendor. Our scope was limited to the objectives above for the period of July 1, 2013 through December 31, 2014.

This report and its conclusions are based on information taken from a sample of transactions and do not represent an examination of all related transactions and activities. The audit report is based on our examination of transactions and activities through the completion of fieldwork on August 20, 2015 and does not reflect events or transactions after that date.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### METHODOLOGY

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Methodologies used to accomplish the audit objectives include, but are not limited to the following:

- Reviewing State and City regulations, policies and procedures, contract and RFB terms, and other standards applicable to the staffing agency vendor contract compliance.
- Interviewing key personnel and performing walkthrough observations to gain a better understanding of the staffing agency vendor contract compliance.
- Identifying key contract and RFB terms related to the staffing agency vendor contract compliance.

- Testing of key contract and RFB terms and processes related to the staffing agency vendor contract compliance to ensure the vendor is operating in the most effective and efficient manner.
- Summarizing all findings and providing the vendor with recommendations that will help to strengthen internal control, and increase operating effectiveness and efficiency.

Audit sampling software was used to generate random statistical samples to accomplish audit objectives. The population data was derived from the Decision Support System and reports provided by the staffing agency vendor.