



October 28, 2015

Performance Audit

Citywide – Staffing Agency Vendor Contract Compliance

City of Albuquerque

Report No. 15-110



**CITY OF ALBUQUERQUE
OFFICE OF INTERNAL AUDIT**

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

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Staffing Agency Vendor Contract Compliance Select Staffing

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 New Koosharem Corporation, also known as Select Staffing, approximately \$29.5 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 inaccurate billing rates on invoices. Of the 61 staffing agency employee billings listed on the 24 invoices tested, 7 were over billed by a total of \$289, and 18 were under billed by a total of \$364. These errors caused a net under billing of \$75.

Select Staffing 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 Select Staffing not removing staffing agency employees from City positions once they have worked for two continuous years; not verifying that staffing agency employees had the proper qualifications for the jobs filled; and not ensuring that it maintains the proper approved request forms from the City for positions filled.

Vendor's Response

Select Staffing agreed with the recommendations and indicated that they will be implemented promptly.

Recommendations

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Select Staffing should:

- Perform internal review of employee records for accuracy.
- Send accurate information in a timely manner to the City.
- Ensure staffing agency employees have the proper qualifications for the positions filled.
- Ensure proper approved requests forms are maintained for each position that has been requested to be filled.
- Remove any staffing agency employees who have been placed at the City for more than two continuous years.



City of Albuquerque

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
Select Staffing
Audit No. 15-110

FINAL

INTRODUCTION

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 Adecco, a second staffing agency vendor used by the City. The results of testing on Adecco 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.

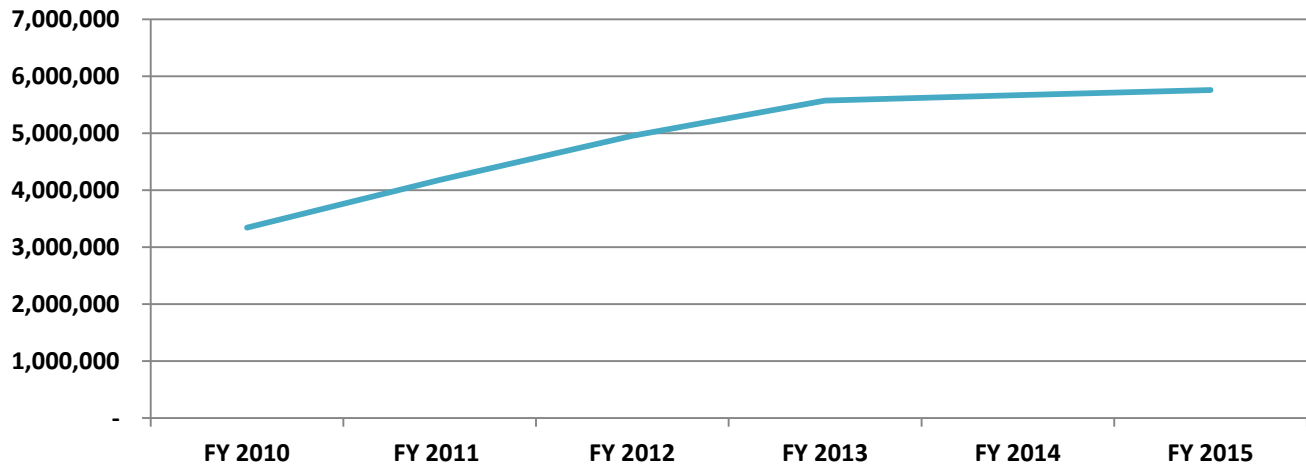
Select Staffing is a vendor used by the City to provide temporary staffing agency employees to supplement the City's workforce. The main reasons the City uses staffing agency services is to fill temporarily vacant positions, to fill positions for departments that do not have the budget to hire permanent City employees, and because it can be cheaper and faster to obtain staffing agency employees than to hire permanent City employees. Select Staffing has been providing employee staffing services to the City since FY 2005, and has been one of the most frequently used staffing agency vendors.

Within the RFB and contract with Select Staffing, the City has outlined the terms that all staffing agency vendors are required to comply with in providing staffing services to the City. Select Staffing agreed to these terms at the time they were 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 Select Staffing approximately \$29.5 million. The graph below details how much the City paid Select Staffing per fiscal year.

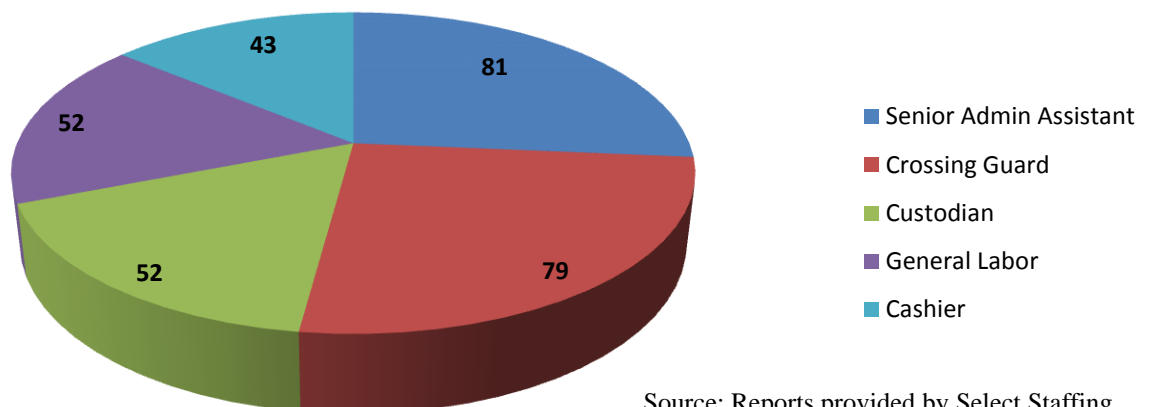
Amount Paid to Select Staffing for FY 2010 to FY 2015



Source: Decision Support System

Of the \$29.5 million spent, approximately \$8.2 million was paid to Select Staffing during the audit test period of July 1, 2013 through December 31, 2014. During that 18-month period, Select Staffing filled 522 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 59 percent of the 522 positions filled.

Five Most Frequently Filled Positions



Source: Reports provided by Select Staffing

FINDINGS

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

1. SELECT STAFFING SHOULD ENSURE THAT INFORMATION ON INVOICES IS ACCURATE.

Select Staffing 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 61 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 invoices had been approved on the contract prior to services being performed. For the 61 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 25 staffing agency employees tested. 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, Select Staffing over billed the City for seven staffing agency employees for a total of \$289, and under billed the City for eighteen staffing agency employees for a total of \$364. These errors combined caused a net under billing of \$75 on the total amount of \$30,425 for the sample tested.
- The position titles listed on the invoices were not accurate, and did not reflect the actual positions filled for eight staffing agency employees. In addition, for 33 staffing agency employees the position titles were not listed at all on the invoices, and for 19 of the 33 employees, the position title that Select Staffing had listed in its employee records was not accurate. 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.

Select Staffing 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 Select Staffing over the invoices once they are generated, and before they are submitted to the City. It is the responsibility of Select Staffing to ensure that invoice information is accurate.

RECOMMENDATION:

Select Staffing should:

- Perform an internal review of employee records to ensure billing rates are in accordance with the City approved contract billing rates. In addition, Select Staffing should ensure employee records reflect the correct position titles, and all invoices list position titles for each employee.

RESPONSE FROM SELECT STAFFING:

“Select Staffing does agree with the COA recommendation.

“Select Staffing will be performing weekly audits before payroll is submitted to ensure correct billing rates are in place. A weekly audit will also be performed to ensure employee records reflect the correct position titles that will be listed on the invoice.”

ESTIMATED COMPLETION DATE:

“October 30, 2015.”

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

The periodic reports that Select Staffing is required to submit to the City do not always contain accurate information. Select Staffing 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 Select Staffing 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:

- Nine staffing agency employees’ start and/or end dates listed on the report were not accurate.
- Three staffing agency employees’ position titles listed on the vendor report were not accurate.
- Seven staffing agency employees’ hourly bill rates on the vendor reports were not accurate. These inaccuracies ranged from an under billing of \$0.39 to an over billing of \$2.28 per hour.

In addition, the reports are not submitted on a monthly basis as required by the RFB terms. Select Staffing usually submits the reports on a quarterly basis. However, according to the Department of Finance and Administrative Services (DFAS), there have been issues at times

with not receiving the reports even on a quarterly basis. Select Staffing 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 Select Staffing to accurately monitor the use and cost of staffing agency employees.

RECOMMENDATIONS:

Select Staffing 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 SELECT STAFFING:

“Select Staffing does agree with the COA recommendation.

“Select Staffing will perform weekly audits to ensure all reported information submitted in the monthly report is accurate. This includes start/end dates, position titles and correct billing rates.”

ESTIMATED COMPLETION DATE:

“October 30, 2015.”

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

Select Staffing does not always maintain the approved request forms submitted by the City to obtain staffing agency employees. In addition, Select Staffing is not checking that staffing agency employees have the proper qualifications necessary for the positions that need to be filled.

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 Select Staffing had run the appropriate background checks 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 positions.

For the 24 staffing agency employees tested, the following exceptions were noted:

- Select Staffing did not have the approved request forms for 14 staffing agency employees.
- Select Staffing did not ensure eight of the staffing agency employees had the proper qualifications for the jobs they filled.

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...” However, by not maintaining the approved request forms from the City, it is not possible to verify that Select Staffing received the forms prior to filling those positions. Select Staffing 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.

In addition, per the RFB, “[t]he contractor will test all prospective employees prior to placement, Acceptable standards for individuals placed shall meet or exceed Requirements for the categories of personnel listed. Testing shall be comparable to City requirements.” Select Staffing is not checking employee qualifications due to a lack of understanding of the RFB terms. By not ensuring that the staffing agency employees have the proper qualifications, the vendor is potentially creating a liability for the City if the staffing agency employees do not have the proper training for the job. For example, if Select Staffing sends an employee to the City to fill the position of Veterinary Technician, but that person has not had the proper training, they could potentially harm themselves, other individuals, and the animals.

RECOMMENDATIONS:

Select Staffing 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.
- Ensure that the staffing agency employees have the proper qualifications to fill the positions requested by the City.

RESPONSE FROM SELECT STAFFING:

“Select Staffing does agree with the COA recommendation.

“Select Staffing will ensure that before associates are placed on assignment with COA all required documentation will be in hand. Select Staffing will

also ensure all associates have the qualifications listed on the job description before being placed.”

ESTIMATED COMPLETION DATE:

“October 30, 2015.”

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

Select Staffing is not pulling staffing agency employees from positions after they have worked at the City for two consecutive years. A review was performed on the work span of the 451 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 451 staffing agency employees reviewed, two were identified as having worked at the City more than two consecutive years.

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.

Select Staffing is not always pulling staffing agency employees from the City after they have worked two consecutive years due to a lack of monitoring of employee service time. Select Staffing is potentially creating a liability for the City because having staffing agency employees at the City for more than 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:

Select Staffing 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.

RESPONSE FROM SELECT STAFFING:

“Select Staffing does agree with the COA recommendation.

“Select Staffing will run monthly audits to ensure associates on assignment with COA do not go over 2 year terms.”

ESTIMATED COMPLETION DATE:

“October 30, 2015.”

CONCLUSION

Between FY 2010 and FY 2015, the City paid Select Staffing approximately \$29.5 million to provide temporary staffing agency employees to help supplement the City's workforce. As part of the contract, Select Staffing 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 Select Staffing is not following the contract and RFB terms.

Select Staffing is not ensuring that the information on the invoices and periodic reports is always accurate, which has led to incorrect billing rates being listed. In addition, by not ensuring information on invoices and reports is accurate, Select Staffing hinders the City's ability to perform proper reviews of the information.

Select Staffing is also not ensuring that approved request forms are maintained for every staffing agency position filled at the City. By not maintaining these records Select Staffing 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. In addition, Select Staffing is not ensuring that the staffing agency employees they send to fill City positions have the proper qualifications for the job duties. This could potentially cause a liability for the City if staffing agency employees perform job duties they do not have the proper training for.

Finally, Select Staffing is not pulling staffing agency employees from positions after they have been at the City for more than two consecutive years. 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 Select Staffing 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 Select Staffing who provided their time and assistance during the staffing agency vendor contract compliance audit.

Performance Audit
Staffing Agency Vendor Contract Compliance – Citywide
Select Staffing
October 28, 2015

15-110

Principal Auditor

REVIEWED and APPROVED:

APPROVED FOR PUBLICATION:

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

Chairperson, Accountability in
Government Oversight Committee

APPENDIX A

OBJECTIVES

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

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

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.
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- 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.
