On Wednesday October 20, 2010, the Office of the Auditor General of Ontario issued an audit report called the *Special Report on Consultant Use in Selected Health Organizations*. This audit encompassed some contracts in the Ontario Ministry of Health and Long-Term Care (MOHLTC), three LHINs and 16 selected hospitals. I have reviewed the report in detail and have provided a summary and analysis of some of the key findings.

Summary

The report acknowledged that at the time of the audit, hospitals were not required to follow the Management Board of Cabinet's Procurement Directive, although it was stated that hospitals should be expected to follow the best practices that form the basis for that document. It was clearly stated that the MOHLTC and the LHINs are required to follow the Directive as stated.

Many of the issues that arose were similar to those found in the e-Health report from 2009 including consulting engagements with no supporting documentation, expenses being reimbursed without justification, a great deal of sole and single sourcing contracts, and continuous follow-on agreements with the same firm. The report cites specific examples of hospitals engaging in these practices, which provide a good template on what to avoid.

The audit covered the use of consultants from 2007-2010, encompassing the last three fiscal years. Many of the examples used took place before the BPS Supply Chain Guideline was introduced to hospitals as mandatory in April, 2010, so the report acknowledged that some of the procurement practices have been improved since then.

I have identified some of the key observations and recommendations from the report.

Key observations

- The report identified that there were too many instances where sound business practices were not used
- There was a clear lack of supporting documentation and prior approvals for most consulting contracts that were reviewed
- There were many follow-on agreements awarded without a separate competitive process or any justification for the follow-on work
- Most hospitals followed the process of using an open, competitive process for purchases over $100,000
- Most consulting assignments were not well defined or justified in that they were poorly detailed or had no statements of work at all
- Many payments to consultants were not tied to specific project deliverables
- There were very few instances of hospitals managing the performance of the consultants on an ongoing basis once the contracts had started
- Some hospitals were paying lobbyists (who were also consultants) using funding provided by the MOHLTC for clinical and administrative activities

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- Consultants were not always asked to sign conflict of interest documents
- Some hospitals used the best practices of requiring senior management approval for non-competitive or large contracts
- Hospitals had no policies requiring the reporting of consulting contracts to boards of directors, but the report acknowledged that this was not required in the BPS Supply Chain Guideline

Recommendations

- The MOHLTC should better adhere to the principles contained in the Management Board's Procurement Directive
- LHINs should provide their boards of directors with a comprehensive annual report summarizing all consultant spending
- Hospital boards should ensure that procurement policies are being implemented and enforced and that they support policies identified in the BPS Supply Chain Guideline
- Hospitals should report regularly to LHINs on the purchase of consulting services and this can be accomplished through the hospital-LHIN accountability agreements

Analysis

Much of what came out of this report was similar to what we saw with the e-Health report from 2009. Consultants were shown to be charging back to hospitals large expenses such as expensive hotel rooms and flights. This fact alone makes hospitals look irresponsible with the spending of public money, but does not paint the entire picture. Of course it is important to control the expenses of consultants, but only stating the amounts of those expenses only provides one side of the story. There is no question that hospitals need to be more diligent with the expenses that consultants are permitted to charge back, and a regular review of consultant expense reports is required, but this is more of a public perception issue than a real financial concern.

Once again, the subject of single and sole sourcing was brought to the forefront, with many examples of hospitals selecting consultants without citing a specific reason and/or without having sufficient documentation to support the decision. Hospitals need to improve on the approval process for bringing in consultants on a single or sole source basis. This is as simple as requiring senior management approval for all single or sole sourced consulting contracts. This should discourage the use of single or sole sourcing when it would be more beneficial for the hospital to host a competitive process. It is important that when approving the award of a single or sole source contract, hospitals should reference the specific reason for bypassing the competitive process. These reasons are identified in the BPS Supply Chain Guideline.

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The report focuses heavily on value for money, as it should. Hospitals need to continue to use sound business practices when making purchasing decisions. This means not taking the fastest road to a decision, but the one that makes the most sense for the size of the purchase being made. I don't believe that this report should lead to a call for sweeping changes or panic in the hospital sector (although that may be the ultimate result). It should be used as a reminder that everyone needs to follow good business practices with a focus on the best return on investment for hospitals, based on the foundation of fair, open and transparent procurement processes.

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