

Office of Internal Audit

Contractor Selection and Oversight Process Audit



April 10, 2025

Executive Summary

We completed an audit of the contractor selection and oversight processes managed by the Contractor Coordinator within the Office of Budget and Management (OBM). This audit was completed in accordance with the fiscal year (FY) 2024–2025 Biennial Audit Plan to evaluate the design and operating effectiveness of internal controls over the contractor processes.

Our audit focused on contractors procured¹ and terminated² between January 1, 2023 – June 30, 2024. We identified a total of 51 contractors that were procured and 56 that were terminated during our audit period. We selected a sample of these contractors to test. We also reviewed policies and procedural documents and procuring processes.

Overall, we found most of the areas to be operating effectively with the contractor processes. However, we identified a few opportunities for improvement related to these processes to obtain greater internal controls and operational efficiency. Specifically, we provided the following recommendations:

- Update ETF's Professional Staffing Services (PSS) contract language to match the Department of Administration's (DOA's) Vendor Management Services (VMS), where if a contractor is terminated for performance within 21 days after starting, ETF does not have to reimburse the contracting firm for their contractor's services.
- Ensure contractor policies and procedures are being followed throughout the procurement process. We found that one contractor's references were never checked, and they signed the Contracted Personnel Agreement three months after they started, even though they had access to restricted folders on their first day. We also identified that the Contractor Coordinator was not involved in the procurement process and instead the hiring manager performed the activities.
- Have the contractor complete the Supervisor Checklist for New Contractor Onboarding within their first 30 days and return it as required.
- Create and maintain a checklist for each contractor that leaves ensuring they returned their assigned equipment and/or furniture and their building access was removed.
- Clearly and consistently communicate to the Board the number of contractors and the division and/or office they work in at least annually.

¹ Procured is like hired, but contractors are procured for the hours they work for a staffing service firm.

² Terminated for the following reasons: resigned, performance not meeting expectations, project ended, or hired as an FTE by ETF.

Audit Objective and Scope

The audit objective was to review ETF's contractor selection and oversight processes to ensure they were working as intended and operating efficiently and effectively. We also reviewed policies and procedural documents, procuring, onboarding, and offboarding processes, and selected some contractors to audit. The scope of our review was any contractor procured or terminated from January 1, 2023 – June 30, 2024.

Our audit was conducted in conformance with the Global Internal Audit Standards.

Background

ETF has a Contractor & Consultant Policy (Policy) that outlines how contractors who work for vendors or staffing service firms will be procured, onboarded, and offboarded while providing services to ETF. To start the process to procure a contractor, the manager completes a staffing justification form (ET-8230) that works its way through the various approval processes in the division or office. The ET-8230 form must include how long the manager thinks the contractor will be working at ETF. The Secretary's Office meets monthly to approve or deny these requests. If approved, the hiring manager will work with the Contractor Coordinator to start the procurement process. Annually, through the operating budget process, the contractor usage is confirmed by the hiring managers and approved through the budgeting process.

The process for procuring IT Services or Non-IT Services is slightly different. IT- Services are done through DOA's contract with Knowledge Services (sometimes called VMS), and Non-IT Services are done through PSS contracts that ETF has in place.

The hiring manager will review resumes and conduct interviews based on the candidate(s) they want to pursue. No contractor is allowed to perform work at ETF until the contractor has cleared at least one supervisor reference check and a criminal background check. Furthermore, no contractor is allowed to access any personally identifiable information in ETF's records, unless the contractor has signed a Contracted Personnel Agreement³.

When a contractor begins at ETF, they go through orientation similar to a new employee and attend the New Staff Orientation Day. The hiring manager is expected to conduct an onboarding process for new contractors and have the contractor sign the Supervisor Checklist for New Contractor Onboarding form (ET-8623) within their first 30 days and return it to Human Resources⁴. Contractors are not state employees and are not eligible for benefits from ETF. Contractors may receive benefits from their servicing firm. When a contractor is terminated for performance reasons, the Contractor Coordinator has a

³ For PSS contractors, this is called the Contracted Personnel Confidentiality Agreement, but for simplicity reasons, OIA is going to call it the Contracted Personnel Agreement to match the VMS contractors throughout this report.

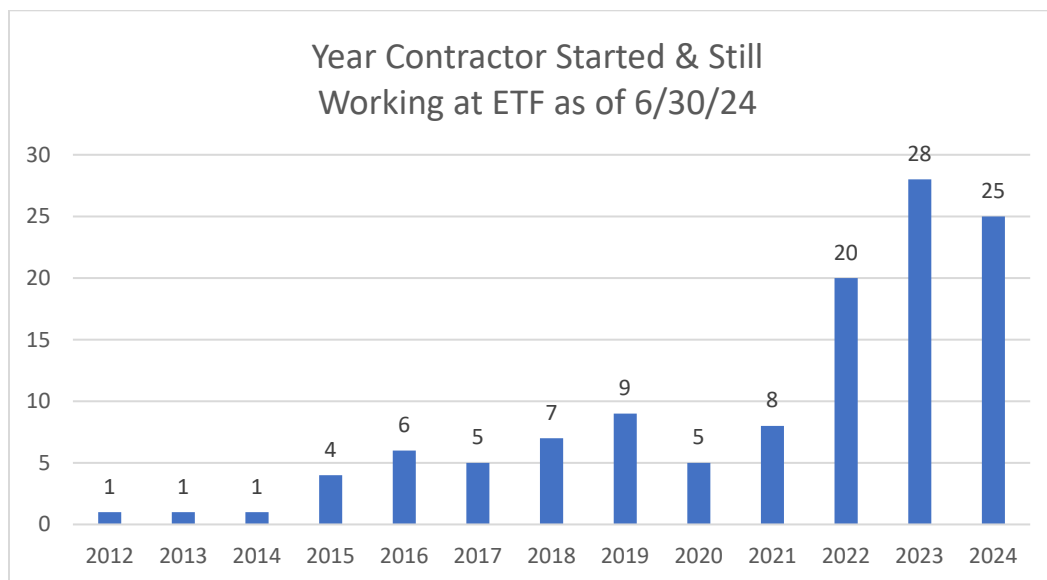
⁴ Starting November 18, 2024, the forms are returned to the Contractor Coordinator.

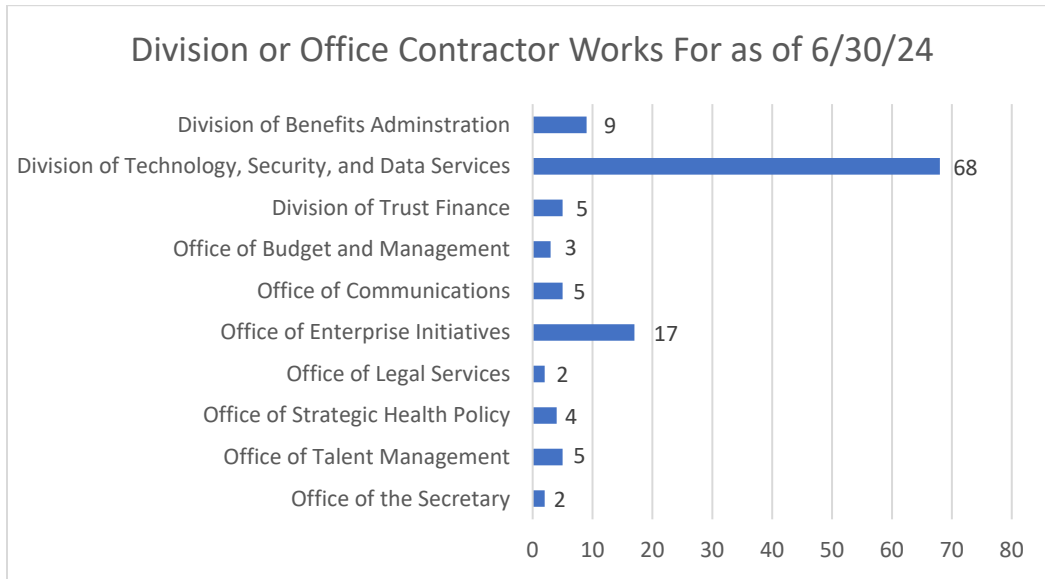
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discussion with the contractor servicing firm, and they usually reach out to their staff to tell them ETF is ending its contract. If the contractor is a VMS contractor (IT-Services) and is terminated within 21 days after starting for performance reasons, ETF does not have to reimburse the contractor servicing firm. There is no rule like this for PSS contracts (Non-IT Services). All terminated contractors must return their ETF issued equipment and furniture within five business days after their last day. The contractor's servicing firm is billed the replacement cost for any equipment and furniture not returned in working condition.

ETF's use of contractors has increased the last few years to help with the implementation of the IAS Project, other system implementations, and the increase in work compared to FTE staff positions authorized. It has also allowed some areas to change from having FTE staff to contractors and repurpose those FTEs to other areas at ETF. The contractor procuring process is much quicker than hiring an FTE, does not require position authority, the duration the skill is needed for is limited, and contractors can live outside of Wisconsin. In addition, the termination process for a contractor is typically quicker than an FTE.

As shown in the tables below, ETF had 120 contractors as of June 30, 2024, with most starting in the last three years and one back in 2012. In addition, most divisions or offices at ETF have contractors other than two: the Office of Internal Audit and the Office of Policy, Privacy, and Compliance.





Results and Recommendations

Positive Results

We found all hiring managers that we had discussions with to be supportive of the Contractor Coordinator, the attention to detail, and customer service provided to them. We found all contractors to be working for a contractor servicing firm that has a contract with ETF or DOA. We also found all contractor positions had a completed justification form (ET-8230) and were authorized by the Secretary's Office.

Findings, Recommendations, and Management Responses

1. Contract Terms

Finding

Per DOA's contract language, when a VMS (IT-Services) contractor is terminated for performance within 21 days after starting, ETF does not have to reimburse the contracting firm for their contractor's services. However, we found that some hiring managers were not aware of the 21-day terminated for performance rule in the VMS contract. In addition, the PSS (Non-IT Services) contracts that ETF manages, do not have a provision if a contractor is terminated for performance within 21 days (or any period of days) that ETF is not billed for the service. We did find one PSS contractor in our sample of 10 who was terminated within 21 days for performance reasons.

Risk/Effect

The Trust Funds were paying for services of someone who had unsatisfactory performance. In addition, the contractor servicing firm might not have an incentive to provide qualified candidates.

Recommendation

We recommend that an amendment is added to ETF's current ETI0003 Staffing Services for Professional Positions contract, that if a contractor is terminated for performance issues within the first 21 days that ETF is not billed for the service. If an amendment cannot be added to the current contract, then this language is included in the future Request for Proposal and signed contract when issued.

We also recommend that all hiring managers are notified that for Vendor Management Service contractors if terminated for performance within 21 days after starting, ETF does not have to reimburse the contracting firm for their contractor's services.

Significance: Low-Medium

ETF Management Response

We agree with the recommendation and will work to incorporate this requirement in the next Professional Staffing Services RFP, which will then become part of the base contract when awards are issued and contract negotiations conclude.

ETF is in the early stages of RFP development. This RFP and the resulting contract negotiations are intended to conclude by late 2025.

Responsible Staff: Tim Steiner, Budget & Policy Manager; Kristen Schipper, Purchasing Agent Senior; and Sheila Gubin, Budget & Policy Analyst Agency Advanced

Completion Date: August 2025

2. Contractor Procuring Policies and Procedures

Finding

We reviewed a sample of 10 contractors who were procured to ensure that ETF's policies and procedures were followed throughout the procurement process. Based on our review, we found that one contractor's references were never checked, and they signed the Contracted Personnel Agreement three months after they started at ETF, even though they had access to restricted folders on their first day. In addition, two contractors did not have a signed Contracted Personnel Agreement maintained in their folder, but staff were able to find them after our inquiries. Finally, we also identified a situation where the Contractor Coordinator was not involved in the procurement process and instead the hiring manager performed the activities, and this resulted in several deviations of policies and procedures.

Risk/Effect

Contractors reviewing confidential information before signing the Contracted Personnel Agreement increases the risk of sensitive data being reviewed without the proper safeguards in place. Also, the Contractor & Consultant Policy requires at least one supervisor reference check before the contractor can start and a signed Contracted Personnel Agreement before reviewing any personally identifiable information.

Recommendation

We recommend the Contractor & Consultant Policy is followed and a checklist is created to ensure documentation is maintained:

- All contractors, as required by the policy, must complete at least one supervisor reference check and sign the Contracted Personnel Agreement and the documentation is maintained. In addition, all procuring of contractors is handled by the Contractor Coordinator.
- A checklist is created detailing all required documents that should be saved in each contractor's folder before they start.

Significance: Medium-High

ETF Management Response

We agree with the recommendation. In the future, we will work with internal leadership and other stakeholders to ensure that all contractor recruitments are routed through the Contractor Coordinator. Furthermore, we will ensure that the recommended documentation is maintained, including the referenced checklist.

Responsible Staff: Tim Steiner, Budget & Policy Manager and Sheila Gubin, Budget & Policy Analyst Agency Advanced

Completion Date: April 2025

3. Supervisor Checklist

Finding

The hiring manager is expected to conduct an onboarding process for new contractors and have the contractor sign the Supervisor Checklist for New Contractor Onboarding form (ET-8623) within their first 30 days and return it to Human Resources⁵. This checklist includes reviewing the ETF Employee Handbook, the Contractor and Consultant Policy, etc. We identified nine contractors in our sample of 10 who had not completed and returned the onboarding form.

⁵ Starting November 18, 2024, the forms are returned to the Contractor Coordinator.

Risk/Effect

Without the proper training on policies and procedures, there is a greater risk that contractors might not be following them.

Recommendation

We recommend that within 30 days, all contractors complete the Supervisor Checklist for New Contractor Onboarding form and the documentation is maintained.

Significance: Medium

ETF Management Response

Completion of the *Supervisor Checklist for New Contractor Onboarding* (ET-8623) was recently transferred to the Contractor Coordinator position in the Office of Budget and Management.

Internal policies have been adjusted to include tracking of completion of the ET-8623. This information will be maintained by the Contractor Coordinator going forward.

Responsible Staff: Tim Steiner, Budget & Policy Manager and Sheila Gubin, Budget & Policy Analyst Agency Advanced

Completion Date: April 2025

4. Maintaining Documentation

Finding

We found two contractors in our sample of 10 where no documentation existed supporting that the contractor returned their IT equipment. Staff believe that they had verbal conversations with IT, and they said everything was returned in working condition, but no formal documentation exists. In addition, it is unknown when building access was removed for two contractors as no documentation exists for one, and the other contractor's profile was deleted one week after they left; however, staff believe it might have been deactivated on their last day.

Risk/Effect

Without adequate documentation maintained, it increases the risk that certain equipment might not have been returned or when building access was removed. This risk is further enhanced if staff turnover occurs in a few key positions.

Recommendation

We recommend that a checklist is created documenting all items that are required when a contractor leaves ETF, if the contractor returned their equipment/furniture, if building access was removed, and this checklist be stored in the contractor's folder for future reference and review.

Significance: Low-Medium

ETF Management Response

We agree and believe this recommendation has been fulfilled. The Contractor Coordinator in OBM created a checklist documenting the items listed above. Going forward, this documentation will be maintained on a routine basis.

Responsible Staff: Tim Steiner, Budget & Policy Manager and Sheila Gubin, Budget & Policy Analyst Agency Advanced

Completion Date: April 2025

5. Board Reporting

Finding

We reviewed prior Board materials to determine what was provided regarding ETF's use of contractors. We found that information was presented on ETF's workforce at the March 23, 2023, ETF Board meeting, on the types of positions and included the percentage of contractors, permanent, and LTE staff. However, it was not clearly or consistently communicated regarding how many total number of contractors were at ETF at a given point in time and the division and/or office they worked in.

Risk/Effect

The Board may or may not have a full understanding and oversight of the resources needed to effectively operate ETF.

Recommendation

We recommend at least annually that information is provided to ETF's Board on the number of contractors and the division and/or office they work in.

Significance: Low-Medium

ETF Management Response

We agree with this recommendation. BCAP will work with Executive Leadership to determine the appropriate content and avenue for reporting this information to the Board.

Responsible Staff: Tim Steiner, Budget & Policy Manager and Sheila Gubin, Budget & Policy Analyst Agency Advanced

Completion Date: December 2025

Process Improvement Consideration and Other Items to Note

We provided the following process improvement suggestion for management's consideration to improve the efficiency and effectiveness of the contractor procuring and termination processes:

- Consider if a centralized storage location or additional workflow and/or access can be created in Ivanti, IT's request and workflow system, where the Contractor Coordinator would be able to view all IT equipment and any applicable furniture the contractor has. This would eliminate sending emails and/or Teams communications when a contractor's services have ended at ETF.

Audit Methodology

The OIA conducted this audit by performing the following testing procedures:

- Contract Terms – We reviewed ETF's and DOA's contracts for Vendor Management Services and Professional Staffing Services.
- Policies and Procedures – We reviewed ETF's internal policies and procedures for staff to follow when procuring, onboarding, and offboarding a contractor.
- Procuring and Terminating a Contractor – We sampled 10 contractors who were procured from a total population of 51 and 10 terminations of contractors from a population of 56.
- Approved Vendors – We tested all contractors to ensure they were working for an approved contracting service firm that has a contract with ETF or DOA.