

Health Benefits Operations: Are the Expected Benefits Being Achieved?

Released: [February 2013](#)

Discussed by the Public Accounts Committee: [November 20, 2013](#)

	Rec 4
OAG Assessment	

 Fully/substantially implemented or alternative action taken  Partially implemented  No action taken

BACKGROUND

In November 2004, the Ministry of Health signed an Alternative Service Delivery (ASD) contract with Maximus BC Health Inc. and related companies. This contract covered the administration of the Medical Services Plan and PharmaCare programs, and the transformation of related technologies. The expected cost was \$324 million over the 10-year contract term.

A key expected benefit was improved privacy and security of personal information. Improved data security was expected to result from changes in corporate and governance structures, more stringent audit provisions, improved technology and stricter controls. The arrangement was also supposed to address concerns over personal information being accessed by the U.S. government through the *USA PATRIOT Act*.

In 2013, we audited whether the benefits expected from this contract were being achieved and how effective the ministry had been in monitoring and reporting to ensure their achievement. One of our findings recognized that the service provider had implemented a number of new privacy and security practices. However, that the ministry had not implemented the proactive controls necessary to ensure that privacy breaches are not going undetected by the ministry or that the ministry’s data is not being stored or accessed from outside of Canada.

In response to a request from the Select Committee on Public Accounts (PAC), we audited the Ministry of Health’s response to this one aspect of our report.

SUMMARY

The ministry’s self-assessment for recommendation 4 was that they had fully or substantially implemented this recommendation, whereas we found that partially implemented was a more accurate assessment of the progress made to date. The ministry agreed with our assessment. We found that the ministry has made significant progress to implement this recommendation, but that full implementation will require that the ministry audit its subcontractors to assess the risk of privacy breaches and data storage and access outside of Canada.

Key Findings

Recommendation 4: Obtain assurance over significant results reported by the service provider

OAG Assessment:

● Partially implemented

We audited the aspects of this recommendation that related to the risk of undetected privacy breaches, as well as personal information data storage and access occurring outside of Canada.

We found that the ministry partially implemented that aspect of the recommendation. The ministry had engaged an external auditor to provide an audit opinion on the potential for unauthorized access to Maximus BC's systems and data from outside Canada, for privacy breach detection and reporting, and data access and storage outside of Canada. We found, as well, that the ministry had received a report from the contracted auditor in May 2014, which provided assurance that Maximus BC was applying controls to adequately mitigate the risk of privacy breaches and data storage and access from outside of Canada.

Our expectation for full implementation is for the ministry to also audit its subcontractors. Assessing the risk of privacy breaches and data storage and access outside of Canada for subcontractors is important because subcontractors may have access to much of the same ministry data as Maximus BC.

The ministry has advised us that it is currently assessing the residual risk related to the subcontractors to determine appropriate measures to address them. We noted that the self-assessment provided room for this additional work where it said that, "Remedial work not undertaken in the course of the current year audit will be planned as part of future years' audits."

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Outstanding Recommendations

RECOMMENDATIONS AND SUMMARY OF PROGRESS	SELF-ASSESSED STATUS
<p>Recommendation 1: Critically assess the viability of proposed solutions and plans to ensure that timelines are realistic and technological solutions will meet business objectives.</p>	<p>Fully or substantially completed</p>

Actions taken, results and/or actions planned

Lessons learned from the MAXIMUS contract are being applied to all new procurement projects.

Ministry reorganization has created or expanded the mandate of two branches staffed with specialized resources for the management of outsourced service delivery contracts (the Business Management Office) , and the management of high risk strategic projects that have a significant information technology component (Strategic Projects Branch).

Key ministry staff involved with major outsourcing contracts are receiving additional training in procurement and management of outsourcing contracts, to strengthen their expertise in these areas.

Other activities related to this finding are improvements in succession planning and knowledge management (see response to Recommendation 5 below).

All information has been provided by the organization and has not been audited.

Outstanding Recommendations (Continued)

Recommendation 2: Ensure all key terms are defined in the contract and establish quantifiable thresholds where appropriate.

Fully or substantially completed

Actions taken, results and/or actions planned

Renewal of the Master Services Agreement (MSA) with MAXIMUS, which resulted in Amendment 4 to the Master Services Agreement, provided the opportunity to clarify key terms in the Agreement. These include:

- ◆ Definitions in Schedule I (Fees) related to financial reporting;
- ◆ Ongoing deliverables, such as plans and reports listed in Schedule H (Key Deliverables);
- ◆ Detailed descriptions of each service level (scope and measurement criteria) added to Schedule F; and
- ◆ A new pool of resource hours available to the ministry at no additional cost for future technology transformation projects (Additional Transformation Resources).

The ministry has established quantifiable thresholds where appropriate. For example, the ministry and MAXIMUS manage a Capacity Model that defines:

- ◆ the basic and routine changes that are fully funded within the base fixed fee;
- ◆ the types of changes and the level of change (hours of resource time) available per month without additional charge to the Province;
- ◆ thresholds (expressed as hours of resource time) above which additional charges may apply; and
- ◆ the types of changes that will normally require additional funding.

During contract extension negotiations, the ministry and MAXIMUS reviewed previous attempts to negotiate a generic threshold by which to measure the concept of Material Change, above and beyond the definitions provided in the Capacity Model. Both parties agreed to maintain the status quo under which funding for proposed changes is negotiated on a case-by-case basis.

Ministry decision making regarding Material Change is now supported by documentation of the criteria used by the ministry in assessing and negotiating change requests. In addition to criteria, the documentation includes examples of how the criteria have been applied to accept, negotiate or reject past change requests from the vendor. This is intended to facilitate knowledge transfer and maintain consistent decision making (see also Recommendation 5 below).

All information has been provided by the organization and has not been audited.

Outstanding Recommendations (Continued)

Recommendation 3: Monitor and enforce all significant contract terms and deadlines. **Fully or substantially completed**

Actions taken, results and/or actions planned

During contract extension negotiations with MAXIMUS, the ministry reconfirmed financial reporting and audit requirements. Further work on a revised reporting structure has taken place during 2013/14 and the first report to be produced under the revised structure is planned for mid-2014.

Gaps in the monitoring and documenting decisions regarding technology refresh, noted in the Auditor General's report, have been addressed. Quarterly reporting on the status of MAXIMUS technology commenced in April 2011 and has been provided continuously since that date.

Other new activities that reinforce monitoring and tracking include:

- ◆ A SharePoint site has been established for exchange of Performance Reports and other deliverables required to monitor significant contract terms;
- ◆ The Business Management Office has improved internal records management practices through the development of an Operational Records classification System (ORCS) designed specifically for the oversight of the alternative service delivery contracts managed by the office. Approval of the new ORCS is anticipated in the near future, and an implementation is under development.

Recommendation 4: Obtain assurance over significant results reported by the service provider. **Fully or substantially completed**

Actions taken, results and/or actions planned

The baseline for future assurance over service levels was strengthened during the contract extension negotiations. A new section has been added to Schedule F of the contract (Service Levels), containing detailed description and measurement criteria for each service level.

The ministry engages external auditors to provide an annual audit of business and technological controls implemented by MAXIMUS BC, including controls over privacy and security.

The scope of 2012/13 and 2013/14 annual audits have been expanded. First, the ministry requested advice on the level of coverage currently in place and recommendations for enhancements. Secondly, the auditors are implementing additional controls and tests to address identified gaps.

During the planning process for the 2013/14 audit, the ministry and our auditors met with staff of the Office of the Auditor General to discuss the planned approach.

Expanded scope for the 2013/14 audit will include additional work to provide assurance over the key gaps identified in the Auditor General's report:

- ◆ Potential for unauthorized access to MAXIMUS BC systems and data from outside Canada;
- ◆ privacy breach detection and reporting; and
- ◆ data access and storage outside Canada.

The ministry has also asked auditors to review controls related to service level reporting and recommend an approach to strengthening assurance in this area. Remedial work not undertaken in the course of the current audit will be planned as part of future years' audits.

The ministry and MAXIMUS have reviewed options for an auditing standard to apply to MAXIMUS' annual financial reports to the Province. The first audited report will be produced in mid-2014.

All information has been provided by the organization and has not been audited.

Outstanding Recommendations (Continued)

Recommendation 5: Maintain a comprehensive record of decisions to facilitate knowledge transfer and consistent decision-making over the life of the contract.

Fully or substantially completed

Actions taken, results and/or actions planned

The Business Management Office has made it a priority for the 2013/14 and 2014/15 fiscal years to review and strengthen procedural documentation and tracking logs related to the contract.

Tracking logs for all change requests and decision requests submitted by MAXIMUS BC have been maintained throughout the contract term. However, these are filed and separately managed by project or issue. The Business Management Office has now created a centralized log that cross-references all Change Requests and Decision requests to make it easier to identify and track approval status across the board.

Documentation of the criteria for assessing Material Change, referenced under Recommendation #1 above, also assist in meeting the objective of consistent decision-making and knowledge transfer.

A knowledge management strategy is being developed jointly by the Ministry and MAXIMUS BC under the direction of the Joint Executive Committee. Two components of the strategy are already in progress:

- ◆ a SharePoint site is in place, where all procedural manuals, performance reports and other key deliverables are posted; and
- ◆ MAXIMUS BC has initiated a series of knowledge transfer workshops in specific service areas for government stakeholders.

The full range of activities and deliverables will be defined through the knowledge management strategy.

Recommendation 6: Publically report results by contract objective with sufficient information to enable readers to understand what is being achieved for what cost.

Partially implemented

Actions taken, results and/or actions planned

Amendment 4 to the contract requires MAXIMUS to provide more transparency into annual financial reports by separating expenditures on base services from expenditures on new project work.

The ministry will adopt the Alternative Service Delivery reporting guidelines issued by the Ministry of Information Technology and Citizens' Services as the minimum starting point for a redesigned annual report on the MAXIMUS contract. A redesigned report is planned for release during the 2014/15 fiscal year.

All information has been provided by the organization and has not been audited.