

VICTORIA

Auditor-General
of Victoria

**TEST CALLS MADE
TO NON-EMERGENCY
AMBULANCE
TELEPHONE LINES**

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The President
The Speaker
Parliament House
Melbourne Vic. 3002

Sir

Under the provisions of section 15 of the *Audit Act 1994*, I transmit the Report of the Auditor-General, *Test calls made to non-emergency ambulance telephone lines*.

Yours faithfully

J.W. CAMERON
Auditor-General

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Foreword

Serious allegations were raised in the Parliament by the former Shadow Minister for Health, now the Minister, in April 1998 concerning the propriety of Intergraph's call taking practices relating to non-emergency ambulance telephone lines.

As soon as my predecessor became aware of the allegations, he informed the Chief Executive Officer of the State's Bureau of Emergency Services Telecommunications (BEST) that the nature and adequacy of official action taken by government to investigate the matter would be examined by his Office at a later date. This Report documents the results of that audit. The Report comments on actions taken by BEST in response to the allegations, in its role as customer general manager under the contract with Intergraph, and the associated involvement of the Metropolitan Ambulance Service (MAS) as the actual party to that contract.

The audit did not seek to directly ascertain if the allegations were valid or otherwise. Such a task would necessarily involve interrogation of Intergraph in its capacity as a private sector contractor and the external party, or parties, who provided information to the former Shadow Minister for Health which gave rise to the allegations. An investigation of this nature would be beyond my current legislative powers.

The Report identifies that most of the work initiated by BEST in response to the allegations lacked an investigative focus and did not place sufficient emphasis on the verification of data analysed or explanations received by it, or its consultants, during the project. For this reason, I have concluded that its actions were not sufficiently robust or inquiring to enable an opinion to be reached on the authenticity or otherwise of the allegations. However, I recognise a number of valuable outcomes arose from BEST's work which should contribute to enhanced future contractual arrangements with Intergraph.

In December 1999, the Government announced that a Royal Commission had been established to examine matters pertaining to certain contracts and outsourcing practices of the MAS. Two of the Royal Commission's terms of reference directly relate to the call taking practices of Intergraph. Based on the matters addressed in this Report, I consider the reaching of an informed opinion on whether or not the April 1998 allegations against Intergraph had substance and were valid criticisms of the company will now need to await the findings of the Royal Commission.

Finally, because the audit focused specifically on action taken by BEST and the MAS in response to the allegations made against Intergraph and those allegations remain unsubstantiated until proven otherwise, this Report should not be regarded in any way as questioning the integrity of Intergraph or the effectiveness of its communications system.

J.W. CAMERON
Auditor-General

Part 1

Executive Summary

Executive Summary

Impetus for this audit

1.1 In April 1998, the former Shadow Minister for Health, now the Minister, made serious allegations in the Parliament concerning Intergraph's call taking practices. He stated he had "*been given evidence that Intergraph has been attempting to rot the system to artificially improve its response time statistics*". He also said that "*Intergraph appears to have encouraged its employees to engage in systematically recording phantom calls with the intention of getting more money out of the ambulance service, thereby defrauding the public*".

1.2 The allegations centred on calls made to non-emergency ambulance telephone lines.

1.3 Four months later in August 1998, the Metropolitan Ambulance Service (MAS), the party to the contract with Intergraph, became aware of an e-mail issued by Intergraph's Communications Centre Manager on 14 November 1997 to the Centre's control room supervisors directing that test calls be made at regular specified intervals. Some aspects of the content of this e-mail aroused deep concern within the MAS.

1.4 My predecessor's Special Report No. 50 - *Metropolitan Ambulance Service: Fulfilling a vital community need*, tabled in the Parliament in November 1997, presented the results of a detailed performance audit of the MAS. That Report outlined the nature and importance of the various performance measures established under the State's contract with Intergraph including those dealing with call answer speed.

1.5 Because monthly service payments by the MAS to Intergraph are directly linked to the volume of recorded calls and the speed with which calls are answered, the inclusion of any unjustified test calls, made internally and with a matter of seconds elapsing between call and answer, would have the effect of artificially improving the company's reported performance and, in turn, its entitlement to full monthly service payments under the contract. If such a situation prevailed, an improper financial advantage might accrue to Intergraph depending on whether such calls lifted the reported statistics over agreed performance thresholds. In addition, the time taken to answer genuine calls for ambulance assistance, e.g. from members of the public or hospitals and to dispatch an ambulance, would be misrepresented in official call statistics.

1.6 The allegations against Intergraph aired in the Parliament therefore involved serious matters concerning the propriety of the company's call taking actions as a party to a major government contract. In the interests of all parties, therefore, it was important that the former Government took appropriate action to establish the validity or otherwise of the allegations.

1.7 As soon as my predecessor became aware of the allegations, he informed the Chief Executive Officer of the State's Bureau of Emergency Services Telecommunications (BEST) that any action taken by it to investigate the matter would be reviewed by this Office.

1.8 This Report documents the results of our audit which aimed to assess the nature and adequacy of action taken by the 2 key government agencies, namely, the BEST and the MAS to enable them to determine the authenticity or otherwise of the April 1998 allegations.

1.9 BEST, as customer general manager under the contract with Intergraph, had the primary authority and responsibility for investigating the allegations. BEST regularly consulted with the MAS on its actions and advised my Office that the MAS was always in a position to provide input and form a view on the adequacy of these actions.

Analysis of BEST's actions

1.10 The actions initiated by BEST in response to the allegations comprised several elements and produced some useful outcomes. Through its own work and the engagement of 2 external consultants, BEST formed a number of judgements including:

- a quantum of test calls had been made by Intergraph late in 1997 and early in 1998 (estimated by a consultant to be no more than 400 for December 1997) which had not been separately identified and deducted from call statistics by the company;
- the use of test calls is an accepted management practice within call centres;
- the test calls made by Intergraph could be attributable to a range of improvement strategies such as reconfiguration of telephone queues and training of staff in telephone queue management which were successfully introduced by the company to raise the level of its call taking performance; and
- there was no evidence to it to indicate that call statistics generated by Intergraph's computer system are inaccurate.

1.11 While the results of BEST's actions should contribute to enhanced future contractual arrangements with Intergraph, this Report identifies that its work lacked an adequate investigative focus and fell short of what was required in the circumstances to comprehensively address the allegations raised against Intergraph in the Parliament.

Restricted nature of the Mercer review

1.12 A key component of BEST's actions was the engagement in May 1998 of a firm of consulting actuaries, William M Mercer Pty Ltd (Mercer), to undertake an independent audit of Intergraph's call statistics. The MAS had become concerned about the validity of Intergraph's reported call volume statistics but did not have the power under the contract with Intergraph to arrange and oversee an audit of this aspect of Intergraph's operations. The power to manage such an audit rests with BEST.

1.13 Mercer's terms of reference included a requirement to identify any factors (e.g. the use of test calls) that may impact or artificially inflate the volume of calls received by Intergraph. Notwithstanding this requirement, the Principal of Mercer who conducted the exercise was very explicit in his written comments on the scope of his firm's brief passed to BEST's Chief Executive Officer early in May 1999. He stated the work undertaken by the firm "*... was not meant to ascertain whether test calls were being used to artificially bolster performance statistics or whether senior personnel were instructing staff to make test calls for this purpose*". These comments were made in response to a suggestion from the former Shadow Minister for Health that, as his informants had not come forward because of recrimination concerns, Mercer's Principal should directly interview the staff of Intergraph.

1.14 Mercer's Principal reaffirmed his views on the ambit of his brief in written comments to my Office. He stressed the tasks undertaken by his firm did not constitute an audit or investigation aimed at confirming or refuting the assertions about Intergraph's practices. As he put it, the focus of his firm's brief was "*to deal with factual information on call volumes*". He also indicated he was not required to establish the reasons given to him for test calls or the validity of those reasons.

1.15 On the basis of the evidence available to my Office, Mercer's work could not be regarded as an exercise which specifically addressed the allegations or an audit as defined under the contract with Intergraph and as requested of BEST by the MAS.

Acceptance by BEST and the MAS of Mercer's final report

1.16 The above picture contrasted somewhat with the advice given by the Chief Executive Officer of BEST in April 1999 to the Ministerial Steering Committee (a representative group of the State's emergency service organisations under contract with Intergraph). In relation to the Mercer study, he stated "*... this audit had addressed allegations made in Parliament in April 1998 by the Opposition Spokesperson for Health, Mr John Thwaites, regarding the manipulation of these call volumes by use of 'test calls'. As previously reported to the Committee, the audit has not identified any issues of manipulation of call volumes and no impact from 'test calls' on the CSSS performance reported by IBV [Intergraph].*"

1.17 In June 1999, both BEST and the MAS (who advised my Office its decision was on the basis of a recommendation from BEST) accepted the results of Mercer's work without any qualification. On 16 June 1999, the Chief Executive Officer of BEST further advised the Ministerial Steering Committee that "... *MAS has confirmed in writing that it accepts the findings and recommendations of the Final Audit Report. BEST has advised MAS that with the issue of the Final Audit Report the matter is now closed*".

Limited attention to establishing contact with staff of Intergraph

1.18 My Office's examination of BEST's response to the allegations indicated that very limited emphasis had been placed by it on attempting to make, with Intergraph's co-operation, direct contact with the recipients of the e-mail of 14 November 1997 to seek their views of the purpose of the test calls made by the company. My Report outlines a brief liaison initiated by Intergraph with certain staff members in March 1999, however, there was no direct involvement of BEST in this process.

1.19 The Chief Executive Officer of BEST stated that he did not attempt to assume a lead role in any communication with Intergraph's staff (such as arranging for all recipients of the e-mail to individually meet with him at his Office on a confidential basis) as such action was beyond the authority of his position. I acknowledge this limitation of authority. Nevertheless, I consider a formal process of negotiation with Intergraph should have, at the very least, been explored by BEST and, if unsuccessful, the resultant restriction placed on its capacity to fully pursue this fundamental avenue should have been cited as a major qualification to any conclusion reached on the allegations.

The views of an external specialist engaged by BEST

1.20 As part of its work program to address the allegations, BEST received in August 1998 the views of an external specialist in computer-aided dispatch systems. In October 1998, it also obtained written explanations from Intergraph concerning the use by the company of test calls. These 2 actions were designed to assist BEST in reaching a view on the validity of test calls made by Intergraph.

1.21 The main output of the specialist was a short memorandum to BEST which summarised his discussions with Intergraph's Manager of the Communications Centre and the reasons given by the Manager for the use of test calls. The specialist was not required to substantiate whether these reasons satisfactorily explained the frequency and volume of test calls actually made by Intergraph. He informed my Office his memorandum was "... *only a very small quick internal report for BEST and was completed in isolation of the Mercer and other reports*".

1.22 The restrictive nature of the ambit of the specialist's work limited the usefulness of such work in establishing that the frequency and volume of all test calls made by Intergraph were justified.

Explanations on test calls furnished by Intergraph to BEST

1.23 The written explanations presented in October 1998 to BEST by Intergraph provided an important opportunity for the company to articulate its position on the allegations concerning test calls. The explanations focused on the several initiatives introduced during 1997 by the Communications Centre's Manager, including the reconfiguration of telephone lines, which ultimately contributed to Intergraph's improved performance from and inclusive of December 1997.

1.24 The main weakness identified by my Office in terms of BEST's analysis of these explanations was that it did not conduct a systematic evaluation of each of the identified improvement strategies to determine if the volume and purpose of test calls made by the company were a necessary part of the implementation of the strategies. Some specific investigative work in this area would have placed BEST in a stronger position to form a view on the validity of the explanations furnished by Intergraph.

Withholding of moneys by the MAS

1.25 The Mercer report to BEST concluded test calls made by Intergraph "*have had no effect on the contractual obligations and therefore have provided no financial advantage*" to Intergraph. Mercer indicated that even if test calls, "*unlikely to be more than 400*" in December 1997, were excluded from reported call volumes, Intergraph would have been exempted from meeting stipulated performance requirements as activity levels for that month would still have exceeded the activity benchmark under the contract by more than 10 per cent.

1.26 While, in normal circumstances, Intergraph would have been exempted from meeting performance requirements and entitled to its full monthly service charge, the reality of the situation late in 1997 was that the MAS was withholding \$371 000 (representing 10 per cent of the contract payment for the months of February to June 1997 and August to October 1997) because of Intergraph's failure to meet performance targets. The legal authority for the MAS to withhold these moneys had been strongly disputed by Intergraph who advised my Office that its legal advice clearly supported its position on the matter.

1.27 Nevertheless, it was evident, from the stance taken by the MAS during most of 1997, that withheld moneys would not be released until Intergraph had met performance levels. This position occurred from and inclusive of December 1997 when the MAS released 50 per cent of withheld funds. The remaining 50 per cent was released in June 1998 following resolution of a major dispute between the parties.

1.28 Despite the financial significance of the tense relationship which existed between the MAS and Intergraph through most of 1997, BEST did not specifically examine whether or not the frequency and volume of test calls made by Intergraph impacted on the company's achievement of call answering speed performance requirements.

My overall conclusion on BEST's actions

1.29 Because of the limitations in the work carried out by BEST, as described in the above paragraphs, I have concluded that its actions were not sufficiently robust or inquiring to enable an opinion to be formed on whether or not the allegations against Intergraph made in Parliament by the former Shadow Minister for Health had substance.

Questions concerning how BEST formally briefed the 2 former Ministers

1.30 In December 1998, BEST's Chief Executive Officer prepared a draft ministerial briefing paper summarising all of the actions taken by BEST and its conclusions and recommendations arising from the work program up to that date. The draft was addressed to the former Deputy Secretary (Justice Operations) within the Department of Justice, the former Minister for Police and Emergency Services, and the former Minister for Health.

1.31 The conclusions reached by BEST included the comment that the evidence did not support a conclusion that Intergraph's Communications Centre Manager took action to artificially improve call answer performance to either gain undue financial advantage for Intergraph or to obtain relief from performance requirements within the contracts. The paper went on to say that, on the basis of BEST's conclusions to that date, there appeared to be no substance found to support the claims made in Parliament in April 1998.

1.32 Notwithstanding the significance of the briefing paper as the envisaged means of informing the 2 Ministers on the conclusions reached to December 1998 by BEST and of seeking their approval for future action, the document was never signed and issued by the Chief Executive Officer. In such circumstances, it was not clear how BEST formally briefed the Ministers and received formal endorsement from them on its conclusions and planned future action.

Results not reported back to Parliament

1.33 Despite the fact that the allegations against Intergraph originated in the Parliament, the results of BEST's examination of the allegations were not communicated back to the Parliament. I consider that, in the circumstances, the Parliament should have been given the opportunity to reach a conclusion on this important public interest issue.

Subject matter to be investigated by the Royal Commission

1.34 In December 1999, the Government announced that a Royal Commission had been established to examine matters pertaining to certain contractual and outsourcing arrangements entered into by the MAS. Two of the Commission's terms of reference directly relate to Intergraph's call taking practices between June 1997 and July 1998.

1.35 Based on the issues addressed in this Report and the previously-mentioned limitations of the actions taken by BEST in response to the April 1998 allegations against Intergraph, I consider the forming of an opinion on whether the allegations were authentic or otherwise will now need to await the outcome of proceedings of the Royal Commission.

**Recommendations
for enhancing
future contractual
arrangements**

1.36 This Report contains recommendations for enhancing future contractual arrangements between BEST, the MAS and Intergraph. The recommendations are also relevant to the arrangements in place between the State's other emergency service organisations and Intergraph. These recommendations relate to:

- Including within the contract a provision for independent verification from time-to-time of the monthly statistics produced by Intergraph to give additional assurance to BEST and the MAS on the accuracy and integrity of reported data (reference, paragraph 6.22). Both agencies indicated to my Office they are reliant on Intergraph for ensuring the accuracy and integrity of the monthly statistics reported by the company;
- Assessing the feasibility of assigning a direct authority to the MAS and the State's other emergency service organisations to appoint an independent auditor to provide the necessary assurance about performance under the contract. Such action should only be necessary whenever circumstances are considered to be serious enough and in the State's interest (reference, paragraphs 7.1 to 7.6). As indicated in this report, the MAS stated it had to rely on BEST to select Mercer and oversee that firm's work, notwithstanding its position as the party to the contract with responsibility for approving periodic service payments to Intergraph; and
- Strengthening the flow of communications from Intergraph to BEST and the MAS on important issues impacting on contractual performance (reference, paragraphs 9.1 to 9.14). For example, the Report identifies that Intergraph did not advise BEST or the MAS in advance that test calls were to be made by the company. The possible existence of test calls only became known through anonymous information provided to the MAS late in 1997 and through the allegations made by the former Shadow Minister for Health.

1.37 I am also hopeful that the Government will include, within further amendments to the Audit Act presented to the Parliament, assignment of an explicit access authority for the Auditor-General to audit, whenever deemed necessary, documents and other records held within systems of private sector contractors which are directly related to services rendered to government agencies under a contract.

- ❑ **RESPONSE** provided by Chief Executive Officer, Metropolitan Ambulance Service

I consider that the Report, in general, is a detailed, fair and robust assessment of the facts.

- ❑ **RESPONSE** provided by Secretary, Department of Justice

The Ministerial Steering Committee for Emergency Services Telecommunications

The Ministerial Steering Committee for Emergency Services Telecommunications (the Committee) has the lead role in public safety communications in Victoria. The Chairman reports directly to the Minister for Police and Emergency Services. The Committee comprises executive level membership from the private sector, all Emergency Service Organisations (ESOs) not just those contracted with Intergraph, i.e. Chief Commissioner Victoria Police, the Chief Executive Officers of the Metropolitan Ambulance Service, Rural Ambulance Victoria, Metropolitan Fire and Emergency Services Board, Bureau of Emergency Service Telecommunications and the Chairman of the Country Fire Authority together with Deputy Secretaries/Directors of major government departments and the CEO BEST.

In December 1994 Intergraph was selected to provide the shared telecommunications platform system and to operate the system to deliver a service that received 000 calls and alarms of fire, and dispatched ESO resources in accordance with agreed standards and protocols.

In September 1995 Intergraph began the delivery of this service to Victoria Police and progressively expanded the service to include all ESOs in the greater Melbourne metropolitan area. These services are delivered from 2 State Emergency Call Centres (SECCs) which are owned and operated by Intergraph. These 2 SECCs are located at the Victoria Police Centre and at the CFA Headquarters at Tally Ho.

Through the implementation of this service the Committee has had and continues to have oversight of major organisational, cultural and technological change in public safety communications in Victoria and the use of these systems to enhance the delivery of emergency services across Victoria.

Master Service Contract

The delivery of services by Intergraph to the ESOs is defined through a Master Service Contract that exists between Intergraph and the ESOs, who are known as "the Customers". Separate Customer-Intergraph Agreements exist under the umbrella of the Master Service Contract to further define the contract relationship between the individual Customers and Intergraph.

The Metropolitan Ambulance Service (MAS) is a "Customer" and as such has rights, obligations and responsibilities under the Contract. BEST is not a legal entity and is not a party to the Contract. However, the CEO BEST performs the role of the "Customer General Manager (CGM) as required by the Contract.

□ **RESPONSE** provided by Secretary, Department of Justice - continued

The Victorian Government Solicitor has provided the following interpretation of the Contract in respect to the MAS and the role of the CGM in respect to the MAS.

"The MAS is a separate legal entity and can enforce its rights under the Contract independently of the State and the other Customers. The arrangements reached under the Contract are that the CGM shall be the conduit through which the MAS (and all other Customers) would operate to avoid multiple dealings with Intergraph. The CGM is authorised to act as agent for the MAS in all matters arising in relation to the project including the authority to do anything the MAS or the CGM is empowered to do in accordance with the Contract. The CGM is also required "to act fairly". The role of the CGM is, therefore, to act as agent for the MAS and the essence of this relationship is that the agent is only an intermediary between 2 parties, i.e. the MAS and Intergraph. Clearly, the primary responsibility for the management of the individual affairs of the State or the other Customers rests primarily with the responsible officers (or the Board) of each of those entities and in this case the MAS. The ultimate responsibility for management of the relationship between MAS and Intergraph is a matter for the MAS and not BEST. The role of the CGM in this process depends upon the specific instructions and understanding reached in regard to the scope of the powers given by the MAS to the CGM as its agent,"

The Contract uses Customer Specified Service Standards (CSSS) and Current Activity Level Benchmarks to clearly define the level of service to be delivered by Intergraph to the Customers. The Contract requires the CSSS and the Current Activity Level Benchmarks to be agreed between the individual Customers and Intergraph. Intergraph receives a monthly Service Charge payment from each ESO for the delivery of service subject to the Contract conditions relating to the delivery of this service being met.

The MAS first raised with the BEST the matter of test calls being used by Intergraph at the Tally Ho State Emergency Call Centre (SECC) in November 1997. BEST identified the existence of some test calls that Intergraph subsequently advised were associated with the reconfiguration of telephone queues to improve call answering performance at the Tally Ho SECC.

In December 1997, the Committee was advised of the matter raised by the MAS. The MAS exercised its Contract rights by requesting BEST as its agent in the role of Customer General Manager (CGM), to engage an independent organisation to undertake a scope of activities to consider the matter raised by the MAS. While the MAS had the right to nominate an independent organisation of its own choice to undertake these activities, the MAS agreed to the use of William M Mercer (Mercer) as this firm was in the process of completing another assignment associated with the validation of Intergraph data. A consultant was also engaged to provide technical advice on the concerns raised by the MAS.

In March 1998, the then Auditor General made the CGM aware that allegations relating to the use of test calls by Intergraph were likely to be raised in Parliament. In April 1998, the former Opposition Spokesperson for Health, now the Minister, Mr John Thwaites, made allegations in the Parliament concerning Intergraph's use of test calls for financial gain.

□ **RESPONSE** provided by Secretary, Department of Justice - continued

It needs to be stressed that the MAS had requested the CGM some 5 months prior to the allegations made in Parliament by Mr Thwaites to engage an independent organisation to undertake a scope of activities to consider the test calls matter. The MAS and Intergraph agreed the scope of the activities to be undertaken by Mercer. The MAS never sought to amend the scope of activities originally agreed by the MAS and Intergraph after the allegations were made by Mr Thwaites.

The MAS subsequently accepted the findings and recommendations of the Mercer Report. Specifically, the Chairman of the Committee sought and obtained confirmation of the findings on behalf of the Committee from the Acting CEO MAS in April 1999.

The key outputs from consideration of the test call matter raised by the MAS were:

- The Master Service Contract between the MAS and Intergraph required Current Activity Level Benchmarks to be agreed in defining the service to be delivered by Intergraph. The Contract allows Intergraph to claim relief from the achievement of Customer Specified Service Standards (CSSS) if Current Activity Levels (volume of calls) exceeds the agreed Current Activity Level Benchmark by more than 10%. At the time the MAS raised the matter of the test calls the Current Activity Level Benchmark had already been exceeded by more than 10% hence CSSS did not apply and Intergraph gained no benefit from any performance enhancement possible from the use of the test calls;*
- The enforcement of this Contract condition removed the possibility of Intergraph gaining any additional financial advantage from the use of the test calls.*
- Since June 1997, the Current Activity Level Benchmark has been continuously exceeded, with the exception of 2 months, as illustrated in the following graphs and hence CSSS have not applied.*
- The Victorian Government Solicitor has independently confirmed the provisions of the Contract in this respect.*

Process To Address The Matter Of The Use Of Test Calls

The Ministerial Steering Committee had general oversight of the actions undertaken by Mercer and the CGM on behalf of the MAS to address the matters raised by the MAS. The CGM provided regular progress reports to the Steering Committee on these actions which included an assessment of the contract, technical and organisational change environment at the Tally Ho State Emergency Call Centre using consultant support and BEST's own resources.

These actions showed a consistent approach by Intergraph to the progressive introduction of technology to improve CAD service delivery and the use of test calls in association with the reconfiguration of telephone queues. Mercer verified the accuracy of call volumes being reported by Intergraph and determined the impact that these test calls might have had on these volumes.

□ **RESPONSE** provided by Secretary, Department of Justice - continued

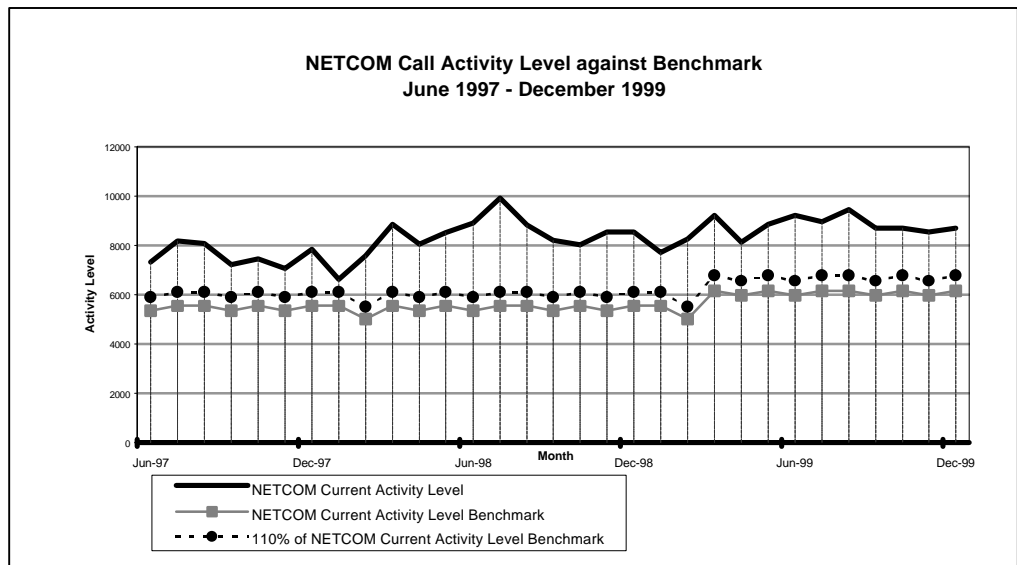
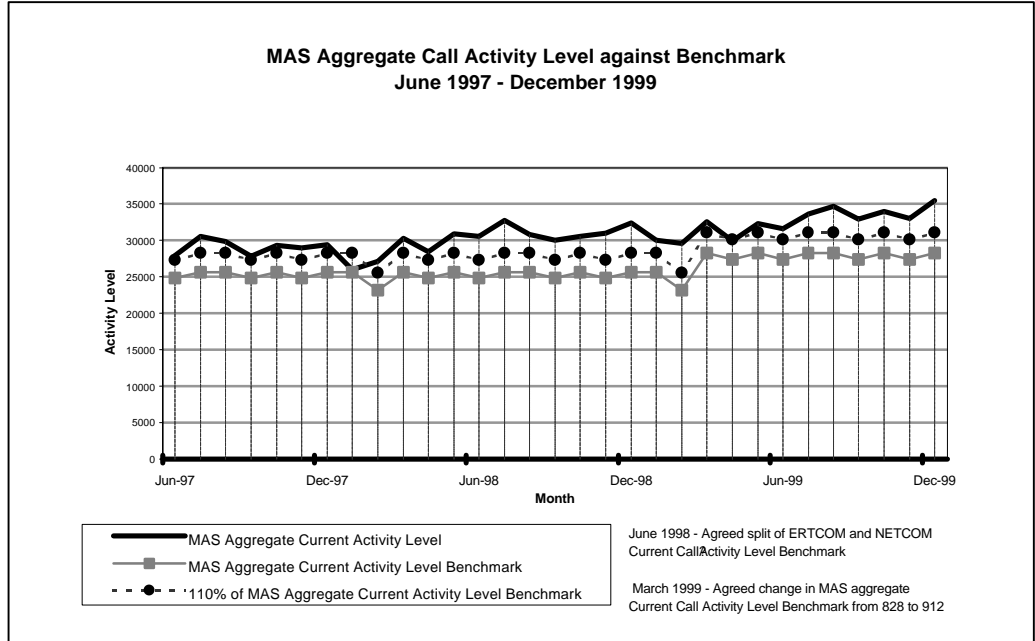
In summary:

- *The MAS, as the contracting entity with Intergraph, requested the Customer General Manager (CGM) for the Contract to engage an independent organisation to verify the accuracy of call volumes being reported by Intergraph and to determine the impact that these test calls may have had on these volumes;*
- *The MAS agreed with Intergraph the scope of the activities to be undertaken by the independent organisation;*
- *The MAS requested the engagement of the independent organisation some 5 months prior to the allegations made in Parliament by Mr Thwaites. The MAS never amended the scope of activities agreed by the MAS and Intergraph to investigate these allegations or to brief the consultants engaged on behalf of the MAS to investigate these allegations;*
- *The Acting CEO MAS in April 1999 accepted the findings and recommendations of the independent organisation and confirmed this acceptance with the Chairman of the Ministerial Steering Committee for Emergency Services Telecommunications;*
- *Audit has acknowledged that the use by Intergraph of test calls during reconfiguration processes is technically consistent with the management of Call Centres elsewhere in the world;*
- *Audit has acknowledged the conclusion reached by the independent organisation that it had found no evidence that the statistics generated by the Intergraph computer system are inaccurate and that this reflected positively on Intergraph and the integrity of the call data volumes generated by its system;*
- *Audit has acknowledged that to Intergraph's credit the combined impact of its improvement strategies would have been a major contributor to the company's improved performance which occurred from, and inclusive of, December 1997;*
- *As the Current Activity Level Benchmark had been exceeded by more than 10% at the time that the matter of the test calls was raised by the MAS the CSSS did not apply and hence Intergraph gained no financial or other benefit from the use of the test calls;*
- *The notion of un-named persons making allegations about the use of test calls was considered to have little validity or materiality given that that the Current Activity Level Benchmark was exceeded by more than 10% at the time that the matter of the test calls was raised by the MAS;*
- *Since June 1997, the Current Activity Level Benchmark has been continuously exceeded, with the exception of 2 months, as illustrated in the following graphs;*

Finally, it is fair to say that the Department is somewhat perplexed as to why audit has persisted with preparing this Report in the face of a Royal Commission which audit acknowledges will more fully consider all issues relating to the making of test calls as part of its Terms of Reference.

□ **RESPONSE** provided by Secretary, Department of Justice - continued

The following charts have been prepared by BEST and form part of the Response of the Department of Justice.



Part 2

Introduction

AN OUTLINE OF THE CONTRACTUAL FRAMEWORK RELATING TO PERFORMANCE MEASURES

2.1 Intergraph Best (Vic) Pty Ltd (Intergraph) is responsible for operating the Tally Ho State Emergency Communications Centre in East Burwood, Melbourne.

2.2 The Centre receives calls from Telstra on the 000 emergency line which are answered by call takers at workstations dedicated to the dispatching of vehicles for emergency cases. Calls of a non-emergency nature, usually from hospitals requiring transport of patients, are handled on a different telephone line by call takers operating other workstations specifically used for non-emergency communications.

2.3 Under the contract in place between Intergraph and the Metropolitan Ambulance Service (MAS), Intergraph is required to comply with certain performance measures known as Customer Specified Service Standards (CSSS). A similar situation applies to the State's other emergency service organisations who are also a party to the contract with Intergraph.

2.4 For emergency ambulance calls, the relevant CSSS contractual requirement dealing specifically with call answer speed stipulates that Intergraph answers 90 per cent of calls within 5 seconds. The call answering performance level for non-emergency calls is 90 per cent within 30 seconds. Any failure of Intergraph to meet the CSSS requirements can result in the MAS withholding 10 per cent of monthly service payments from the company until such time as the specified standards are met.

2.5 The contract between Intergraph and the MAS recognises that a sudden increase in monthly calls can impact upon Intergraph's ability to meet the CSSS. Accordingly, an activity benchmark of 828 calls per day was set in September 1996, representing an aggregate of 649 emergency telephone calls and 179 non-emergency calls. This figure was arrived at after averaging the daily emergency and non-emergency calls over an earlier period between 1 September 1995 and 30 June 1996.

2.6 Where the level of actual calls in a month exceeds by more than 10 per cent the aggregate benchmark of 828 calls per day multiplied by the number of days in the respective month, the performance measures contained in the CSSS do not apply for that month. In such circumstances, Intergraph is entitled to its monthly service charge even though the CSSS requirements may not have been achieved.

2.7 BEST is an organisational unit within the Department of Justice. Its role under the contract with Intergraph is that of Customer General Manager. This role essentially involves the facilitation of communications and the co-ordination of the delivery of services between Intergraph as the service provider, and the particular emergency service organisation as the customer.

2.8 More detailed information on the range of performance measures and targets which apply to Intergraph under its contract with the MAS can be found in the Auditor-General's Special Report No. 50 - *Metropolitan Ambulance Service: Fulfilling a vital community need*. That performance audit report was tabled in the Parliament in November 1997.

□ **RESPONSE** provided by Secretary, Department of Justice

Intergraph and the MAS jointly reached agreement on Current Activity Level Benchmarks, CSSS and staff numbers to dimension the service to be delivered by Intergraph and to administer the Contract. The onus was on the MAS understanding of the scope of its business to enable it to reach agreement on the Current Activity Level Benchmark and to subsequently monitor the movement in Current Activity Level against this Benchmark.

The introduction of CSSS together with the ability to use technology to measure and compare the performance the Tally Ho Call Centre Team Leaders and their team members on an international basis put in place a level of individual accountability and responsibility not previously in existence at the former MAS East Doncaster Communication Centre.

Part 3

Nature of this audit exercise

INTRODUCTION

3.1 On 29 April 1998, the then Shadow Minister for Health (now the Minister) stated in Parliament that he had “... *been given evidence that Intergraph has been attempting to rort the system to artificially improve its response time statistics*”. He also commented, *inter alia*, that “*Intergraph appears to have encouraged its employees to engage in systematically recording phantom calls with the intention of getting more money out of the ambulance service, thereby defrauding the public*”.

3.2 These allegations centred on calls made to non-emergency telephone lines.

3.3 Prior to this date, in March 1998, the former Auditor-General had advised BEST’s Chief Executive Officer that he had been made aware of allegations concerning test calls and their potential impact on Intergraph’s reported performance. Because of the seriousness of the allegations, the Auditor-General indicated to BEST that the nature of official action taken by government to investigate this matter would be examined by his Office at a later date.

3.4 An audit examination of this subject was commenced by my Office in July 1999, around 2 months after completion of various review tasks undertaken at government level which predominantly involved work initiated by BEST on behalf of the MAS.

AUDIT OBJECTIVES AND SCOPE

3.5 The principal objective established for my Office’s audit was to assess the nature and adequacy of action taken by the 2 key government agencies, namely, BEST and the MAS, to enable them to determine the authenticity or otherwise of the allegations made in the Parliament that Intergraph had been involved in manipulation of call taking levels.

3.6 It should be mentioned that the focus of the audit was purposely directed towards the adequacy of the action taken by the 2 agencies to enable them, and in turn the previous government and the Parliament, to form a view on the validity or otherwise of the allegations.

3.7 In this way, the audit by my Office did not seek to directly ascertain if the allegations were capable of substantiation as such a task necessarily would involve Intergraph in its capacity as a private sector contractor and the external party or parties who provided information to the former Shadow Minister for Health which gave rise to the allegations. An investigation of this nature would be beyond my current legislative powers.

3.8 The scope of the audit included:

- examination of all salient documentation held at BEST and the MAS and discussion on all related issues of significance with the respective Chief Executive Officers and their nominated contact representatives;
- liaison and discussion with William M Mercer Pty Ltd, a firm of consulting actuaries who was engaged by BEST, as an important element of its response to the allegations, to carry out an independent “audit” of Intergraph’s call statistics;
- liaison and discussion with an external expert in the operation of computer-aided dispatch systems, who was appointed by BEST as a consultant to provide specialist input into the review process; and
- generally, the undertaking of all steps required to reach a conclusion on the nature and adequacy of action taken by both BEST and the MAS concerning the authenticity or otherwise of the allegations made in Parliament in April 1998.

ANNOUNCEMENT BY THE GOVERNMENT OF A ROYAL COMMISSION

3.9 In December 1999, the Government announced that a Royal Commission had been established to examine, *inter alia*, matters pertaining to certain contracts and outsourcing arrangements entered into by the MAS. Two of the terms of reference of the Royal Commission address issues directly relating to the call taking practices of Intergraph.

3.10 Public hearings of the Commission commenced on 14 March 2000.

□ **RESPONSE** provided by Secretary, Department of Justice

The MAS first raised with the BEST the matter of test calls being used by Intergraph at the Tally Ho State Emergency Call Centre (SECC) in November 1997. BEST identified the existence of some test calls that Intergraph subsequently advised were associated with the reconfiguration of telephone queues to improve call answering performance at the Tally Ho SECC.

In December 1997, the Committee was advised of the matter raised by the MAS. The MAS exercised its Contract rights by requesting BEST as its agent in the role of Customer General Manager (CGM), to engage an independent organisation to undertake a scope of activities to consider the matter raised by the MAS in relation to the use of "test calls" by Intergraph. While the MAS had the right to nominate an independent organisation of its own choice to undertake these activities, the MAS agreed to the use of William M Mercer (Mercer) as this firm was in the process of completing another assignment associated with the validation of Intergraph data.

A consultant (EST Pty Ltd) was also engaged to provide technical advice on the concerns raised by the MAS.

It needs to be stressed that the MAS had requested some 5 months prior to the allegations made in Parliament by Mr John Thwaites the CGM to engage an independent organisation to undertake a scope of activities to consider the test calls matter. The MAS and Intergraph agreed the scope of the activities to be undertaken by Mercer. The MAS never sought to amend the scope of activities originally agreed by the MAS and Intergraph when subsequently the allegations were made by Mr Thwaites.

□ **RESPONSE** provided by Secretary, Department of Justice - continued

The MAS subsequently accepted the findings and recommendations of the Mercer Report. Specifically, the Chairman of the Committee sought and obtained confirmation of the findings on behalf of the Committee from the Acting CEO MAS in April 1999.

The Department has noted that nature and focus of audit's Report has changed considerably since the provision of the original Objectives and Scope of the Audit, moving from the "assessment of the validity of test calls" to an "examination of issues relating to test calls" to "test calls made to non-emergency ambulance telephone lines"

Part 4

**Concerns
conveyed by
the MAS to BEST
trigger review action**

INITIAL CONCERNS RAISED BY THE MAS

4.1 Around December 1997, 4 months prior to the raising of allegations in the Parliament, the MAS had become concerned that the quantum of both emergency and non-emergency calls had increased substantially, but the level of actual dispatches of ambulances (for emergency cases) and of non-emergency transport had decreased relative to the incoming calls.

4.2 According to the MAS, Intergraph was unable to explain the reasons for this anomaly to its satisfaction which prompted it to formally request BEST, in accordance with the contractual provisions, to arrange for independent verification of the validity of the monthly call volume statistics reported by Intergraph. In addition, it asked that the independent review encompass an examination of the data used to arrive at the benchmark activity level of 828 calls per day (referred to in the introductory paragraphs of this report) established under the contract.

4.3 The MAS informed my Office that, around the same time, anonymous sources had alleged to it that staff of Intergraph had been making a number of test calls and these calls had been included in the monthly call volume statistics. It had verbally notified the Ministerial Steering Committee (a representative group of the Stat's emergency service organisations under contract with Intergraph) of this development following which BEST agreed to carry out an immediate preliminary investigation by a member of its staff in advance of arrangements for the formal independent review.

4.4 The results of BEST's internal investigation were not documented. However, the organisation advised my Office that, from listening to a random sample of calls, it established that a small number of test calls had been made by Intergraph to the non-emergency telephone line during the month of December 1997. During this internal task, Intergraph readily acknowledged to BEST that test calls had been made but such calls were necessary as part of the fine tuning of the configuration of telephone queues which was occurring at the time, in order to boost call taking performance.

4.5 Because of the preliminary and limited nature of BEST's internal exercise, it did not replace the earlier request made by the MAS for a formal and independent study of the subject area. This request was met by BEST on 5 May 1998 through the engagement of a firm of consulting actuaries, William M Mercer Pty Ltd, to undertake an independent "audit" of Intergraph's call statistics.

4.6 A copy of the terms of reference established for the independent audit is presented as Appendix A to this Report.

□ **RESPONSE** provided by Secretary, Department of Justice

Ministerial Steering Committee for Emergency Services Telecommunications

The Ministerial Steering Committee for Emergency Services Telecommunications (the Committee) was established by Cabinet in 1994 with the responsibility for the implementation of a shared telecommunications platform for the Emergency Service Organisations (ESOs) as per the recommendations arising from the Public Bodies Review Committee Inquiry in 1994 into the then Metropolitan Fire Brigade.

□ **RESPONSE** provided by Secretary, Department of Justice - continued

By nature of its creation, membership and role, the Committee has the lead role in public safety communications in Victoria and significant stature within this sector in Australia. The Chairman reports directly to the Minister for Police and Emergency Services. The Committee comprises executive level membership from the private sector, all Emergency Service Organisations (ESOs) not just those contracted with Intergraph, i.e. Chief Commissioner Victoria Police, CEO MAS, CEO RAV, CEO MFESB and Chairman CFA, Deputy Secretaries/Directors of major government departments and the CEO BEST.

Cabinet also created a Business Unit within the Department of Justice to support the Steering Committee and provide project co-ordination and facilitation services. Collectively, the Committee and the Business Unit operate as the Bureau of Emergency Services Telecommunications, or BEST.

In December 1994, Intergraph was selected to provide the shared telecommunications platform system and to operate the system to deliver a service that received 000 calls and alarms of fire and dispatched ESO resources in accordance with agreed standards and protocols.

In September 1995, Intergraph began the delivery of this service to Victoria Police and progressively expanded the service to include all ESOs in the greater Melbourne metropolitan area. These services are delivered from 2 State Emergency Call Centres (SECCs) which are owned and operated by Intergraph. These 2 SECCs are located at the Victoria Police Centre and at the CFA Headquarters at Tally Ho.

Through the implementation of this service the Committee has had and continues to have oversight of major organisational, cultural and technological change in public safety communications in Victoria and the use of these systems to enhance the delivery of emergency services across Victoria.

The Master Service Contract between the MAS and Intergraph

Refer to comments provided in the Executive Summary

Part 5

Investigations undertaken by BEST

BREADTH OF WORK PROGRAM

5.1 The program devised by BEST to examine the concerns raised by the MAS and to address the allegations made in the Parliament comprised the following elements:

- the independent audit by William M Mercer Pty Ltd which commenced in May 1998 and from the perspective of the MAS was the key component of BEST's investigative actions;
- seeking the views of an external specialist which were received in August 1998;
- obtaining explanations (furnished in October 1998) from Intergraph concerning the company's use of test calls;
- examining the circumstances relating to an e-mail issued on 14 November 1997 by Intergraph's Communications Centre Manager to the Centre's control room supervisors (later Parts of this Report indicate this e-mail gave rise to serious concerns by the MAS when it became aware of its existence in August 1998); and
- reviewing of service charge payments made by the MAS to Intergraph during the period June 1997 to June 1998.

5.2 It can be seen that the actions taken by BEST involved a combination of external consultancy input and internal research.

CONCLUSIONS AND RECOMMENDATIONS DOCUMENTED BY BEST IN A DECEMBER 1998 DRAFT MINISTERIAL BRIEFING PAPER

5.3 In accordance with earlier advice given to the Ministerial Steering Committee in October 1998, the Chief Executive Officer of BEST compiled in December 1998 a draft ministerial briefing paper which summarised all of the actions taken by BEST and its conclusions and recommendations arising from the work program up to that date. The draft was addressed to the former Deputy Secretary (Justice Operations) within the Department of Justice, the former Minister for Police and Emergency Services, and the former Minister for Health.

5.4 Those conclusions reached by BEST, which specifically related to the allegations raised in Parliament and the e-mail of 14 November 1997 were as follows:

“... the evidence does not support a conclusion that IBV [Intergraph] Tally Ho SECC Manager [name deleted] took action to artificially improve CSSS call answer performance to either:

- *gain undue financial advantage for IBV; or*
- *obtain relief for IBV from MAS CSSS.*

“IBV undertook reconfiguration of the telephone queues at the Tally Ho SECC in the period between August 1997 and January 1998 in conjunction with the introduction of callforcing, dynamic queue management using the ACDMIS, re-configuration of the telephone queues and the training of IBV Supervisors and Team Leaders in telephone queue management.

“All four e-mail instructions during this period carried consistent directions regarding the need to place test calls on the NETCOM queue to ensure that it was operational whilst telephone queue reconfiguration was being undertaken. The e-mail obtained by MAS was one of these four e-mails.

“The Mercer audit identified that IBV did place test calls on a NETCOM queue during December 1997. The audit also concluded that even if these test calls were removed, the call Activity Level would still have exceeded the original benchmark by more than 10% and hence CSSS should not have applied.

“IBV has not received more in payments than it is contractually entitled to receive.

“On the basis of conclusions... there appears to be no substance found to support the claims made by the Opposition Spokesperson for Health, Mr Thwaites, in his statement in Parliament. In order to confirm these conclusions, Mr Thwaites should be given a briefing on these conclusions and be requested to provide evidence to support his statement which can be tested against the conclusions or a further instigation conducted based on the evidence supplied by Mr Thwaites.

“If IBV were deliberately attempting to artificially improve performance, the alleged actions would have been prevalent with excessive call volumes (test calls) for a period prior to December when IBV first met Level 2 CSSS. The required level of test calls would have been substantially in excess of the number identified by the independent audit.”

5.5 The Chief Executive Officer of BEST recommended that the former Minister for Police and Emergency Services and the former Minister for Health:

“(a)note the advice provided in this Briefing Note;

(b) approve the Opposition Spokesperson for Health being:

(i) given a briefing on the conclusions setout in this Briefing Note;

(ii) requested to provide evidence to support allegations made in his statement to Parliament on 29 April 1998 in order to confirm the conclusions or to conduct further investigations”.

5.6 BEST forwarded a copy of the draft briefing paper to the MAS for comment. The MAS provided feedback on the document to BEST in January 1999 and, at the request of BEST, subsequently returned the draft. Representatives of the MAS advised my Office that the organisation did not receive any further copies of the briefing paper, either in draft or final form, beyond this point.

5.7 The Chief Executive Officer of BEST indicated to my Office it was his understanding the draft document had been circulated by the MAS to the Department of Human Services and the Department of Premier and Cabinet.

5.8 Very late in my Office's audit, on 21 February 2000, the Chief Executive Officer of BEST made available a copy of the briefing paper dated 18 December 1998 which included the comment that the conclusion reached by BEST had been "*reviewed and accepted by MAS*". On this point, the MAS advised my Office it did not have a record of having provided BEST with its acceptance of a briefing paper dated 18 December 1998.

5.9 Notwithstanding the significance of the briefing paper as the envisaged means of informing the 2 former Ministers on the conclusions reached to December 1998 by BEST and of seeking their approval for future action, the document was never signed by the Chief Executive Officer. Accordingly, and as advised to my Office by the Chief Executive Officer, it was not issued as a formal information paper to the 2 Ministers. In such circumstances, it was not clear how BEST formally briefed the Ministers and received formal endorsement from them on its conclusions and planned future action.

MEETING WITH FORMER SHADOW MINISTER FOR HEALTH IN MARCH 1999

5.10 In line with the intention expressed in the draft briefing paper, the Chief Executive Officer of BEST and the Principal from William M Mercer Pty Ltd met with the former Shadow Minister for Health on 5 March 1999.

5.11 The main purpose of this meeting was to request the Shadow Minister to support his allegations in order that the report to be issued by Mercer identified all known issues and all evidence had been examined in reaching its conclusions and recommendations. During the meeting, the Principal from Mercer offered the opportunity to the Shadow Minister to contact his informants and to arrange confidential discussions with the Principal. The Shadow Minister agreed to assist in this regard but stated the informants appeared to be concerned about retribution should their identity become known.

5.12 The Chief Executive Officer advised my Office that a period of around 3 months from the date of the meeting had been allowed to enable the Shadow Minister to furnish further information on his allegations (such as contact names) to Mercer. My Office considered this approach to be an appropriate course of action in the circumstances.

5.13 At the end of this period and in the absence of any additional material provided to it, Mercer decided to finalise its report. It issued the report to BEST and the MAS on 27 May 1999.

5.14 Towards the end of the 3 month period, the Shadow Minister had contacted the Mercer Principal to provide an update on the position. In a letter of 3 May 1999 to BEST's Chief Executive Officer on this contact, the Principal indicated that the Shadow Minister's informants were still reluctant to come forward because of concerns about recriminations and it was suggested to the Principal that he interview the staff of Intergraph to see if any further light could be put on the allegations.

5.15 The Mercer Principal advised BEST's Chief Executive Officer that, in response to the suggestion he interview Intergraph's staff, he had informed the Shadow Minister *that was not part of my brief*". In elaborating on this point, he said the work undertaken by his firm "... was not meant to ascertain whether test calls were being used to artificially bolster performance statistics or whether senior personnel were instructing staff to make test calls for this purpose".

5.16 It is clear from this comment that Mercer regarded any action which went beyond confidential discussions with the Shadow Minister's informants to encompass direct interviews with Intergraph's staff was outside the boundary of the scope of its project.

5.17 I consider that an attempt to obtain Intergraph's agreement for the interviewing of particular employees of the company would have been necessary in ensuring that the allegations raised in the Parliament were comprehensively investigated and in reaching an accurate view on the intent of the e-mail issued to certain staff of Intergraph on 14 November 1997 by the Manager of the Communications Centre.

5.18 This e-mail had emphasised to supervisors that "... we must get over the wire this month for speed of answer 90 [per cent of answered non-emergency calls] in 30 seconds plus MAS Emerg. 90 in 5". The e-mail also stated "At night dynamic management is the go, watch it, breath it, work it. After 7 p.m. through to 7 a.m. team leaders are to make a test call to NETCOM on the quarter hour between each half hour, e.g. 8.15, 8.45. Make sure someone is logged into NETCOM before you do it. The same is to apply on weekends from midday Saturday through to Monday morning. DO NOT OVERLOOK THIS".

5.19 Later paragraphs in Part 6 of this report identify the degree of concern expressed to BEST by the MAS in August 1998 when it became aware of this e-mail. It strongly informed BEST that the ambit of the Mercer study should be widened to adequately address this matter.

5.20 Given Mercer's assessment of its assignment, it is my view that the results of the work carried out by the firm could not be regarded as a complete investigation of the serious allegations raised in the Parliament and of the purpose of the e-mail.

5.21 In contrast to the stated position of Mercer's principal on the scope of the firm's assignment, the Chief Executive Officer of BEST had earlier informed the Ministerial Steering Committee on 21 April 1999 that:

"William M Mercer had been engaged by BEST at the request of MAS to conduct an audit into the call volume activity levels being reported by IBV for MAS at the Tally SECC and that this audit had addressed allegations made in Parliament in April 1998 by the Opposition Spokesperson for Health, Mr John Thwaites, regarding the manipulation of these call volumes by use of 'test calls'.

"As previously reported to the Committee, the audit has not identified any issues of manipulation of call volumes and no impact from 'test calls' on the CSSS performance reported by IBV."

5.22 William M Mercer Pty Ltd furnished its final report to BEST and the MAS on 27 May 1999.

5.23 In correspondence between the MAS and BEST dated 3 June 1999, the MAS acknowledged previous advice provided to it by BEST's Chief Executive Officer that BEST considered the audit report answered the questions raised and recommended the acceptance of the results. In the same exchange of correspondence, the Acting Chief Executive Officer of the MAS confirmed that the MAS also accepted the results of the report.

5.24 The MAS advised my Office that, prior to its formal acceptance of the Mercer report, "... at the instigation of BEST a number of meetings were held involving senior management of BEST, the MAS and the Department of Human Services. At these meetings, BEST advised that it considered that the Mercer report answered the questions raised and recommended acceptance of the findings. MAS complied with BEST's request as a result of BEST's contractual role and its satisfaction, as customer audit officer, with the accuracy of the audit report".

5.25 The Chief Executive Officer of BEST advised the Ministerial Steering Committee on 16 June 1999 that "MAS has confirmed in writing that it accepts the findings and recommendations of the Final Audit Report. BEST has advised MAS that with the issue of the Final Audit Report the matter is now closed."

5.26 Both BEST and the MAS accepted the results of Mercer's work without any qualification or acknowledgement that such work, as earlier emphasised by Mercer's Principal to BEST in May 1999, was not scoped to comprehensively address the allegations made in the Parliament on test calls or the intent of the November 1997 e-mail issued to Intergraph staff.

5.27 Despite the fact that the allegations on "phantom calls" originated in the Parliament, the results of the steps taken by BEST in response to the allegations were not communicated back to the Parliament.

5.28 I consider that, when serious allegations are made in the Parliament, it is vital that Parliament be informed of the results of any investigative action initiated by government which is aimed at determining the validity or otherwise of the allegations. Such an approach is necessary to ensure that Parliament is in a position to reach a conclusion on important public interest issues which have been the subject of claims previously raised and have potential to impact on the reputation and integrity of individuals or entities.

LIMITED ATTENTION TO ESTABLISHING CONTACT WITH INTERGRAPH'S CONTROL ROOM STAFF

5.29 The conclusions reached by BEST's Chief Executive Officer, as documented in the ministerial briefing paper of December 1998, did not incorporate any reference to the need to approach Intergraph in order for BEST or Mercer to interview certain staff from the Communications Centre who may have been able to provide further information on test calls (such as their understanding of the purpose of the calls).

5.30 The document appropriately recommended that a meeting be arranged with the Shadow Minister for Health to enable Mercer to seek access to his informants. However, it placed no emphasis on the importance of attempting to make direct contact with Intergraph to facilitate, with the company's co-operation, interviews with current employees and the obtaining of data to enable inquiries with relevant former employees.

5.31 On 21 February 2000, the Chief Executive Officer advised my Office that during March 1999 he had liaised with Intergraph on action designed to provide an opportunity for the company's control room staff to comment on the allegations that employees had been encouraged to make "phantom calls". On the same day, he provided my officers with a copy of a letter dated 17 March 1999 forwarded to him by the Director Outsourcing Services of Intergraph.

5.32 The letter from this senior representative of Intergraph informed BEST's Chief Executive Officer that on 16 March 1999 he had met with 7 personnel at the Tally Ho Communications Centre. The representative stated "*... that he provided access [to the staff] to the draft Mercer Report dated 6 November 1998, and a number of e-mails to team leaders/supervisors at Tally Ho from ... and ... concerning test calls. Those present were asked two questions ...*

Question 1:

Was anyone asked to perform any illegal task in carrying out these test calls?, or

Question 2:

Does anyone believe they were asked to carry out anything illegal in carrying out these test calls?"

5.33 The Intergraph representative also stated that he stressed to the staff it was not his intention "*... to find who had spoken to Mr John Thwaites in regard to this matter but rather if any of the members had concerns concerning the issues. Those present were notified to contact myself, ... [Intergraph's Managing Director] Chief Executive Officer] before close of business 17 March 1999 to express their concerns*".

5.34 The Chief Executive Officer of BEST advised my Office that no contact was ultimately made by the staff members with the 2 Intergraph executives or himself. He also indicated no further action was taken on the matter and the letter received from the Intergraph executive was the only documentation held by BEST dealing with this issue.

5.35 The MAS informed my Office that it had no record of advice from BEST of any action taken in this area.

5.36 I recognise that the above arrangement with Intergraph constituted an effort by BEST and the company to obtain information from staff members. However, the fact that there was no response to the exercise should not have been surprising as the fear of potential retribution is always a concern of informants in these circumstances in any organisation, irrespective of any assurances given to staff. The fact that the Manager of the Communications Centre (who had issued the November 1997 e-mail) was one of the 7 employees present at the meeting arranged by Intergraph's executive would not have helped this position.

5.37 My Office questioned the Chief Executive Officer on why he did not attempt to assume a lead role in any communications with Intergraph's staff such as arranging for the recipients of the e-mail message of 14 November 1997 to individually meet with him at his Office on a confidential basis and for contact details relating to relevant former employees (subject to their consent) to be obtained from Intergraph to enable direct contact by BEST.

5.38 In response, the Chief Executive Officer stated that such action was beyond the authority of his position. While I acknowledge this limitation concerning the powers of the Chief Executive Officer, I feel that such a course should have at least been explored through a formal process of negotiation with Intergraph. If this move proved to be unsuccessful, the resultant restriction placed on BEST's capacity to fully pursue this important avenue should have been brought to the attention of the Ministerial Steering Committee and cited as a major qualification to any conclusion reached by BEST on its investigative work.

5.39 Finally, the previously mentioned letter of 17 March 1999 from Intergraph's executive also referred to documentation located on a personal file of an Intergraph employee. The documentation related to correspondence, dealing with the subject of test calls in December 1997, between the employee (who was a team leader) and the control room manager at the Tally Ho Communications Centre. The executive stated the correspondence essentially reflected concern by the manager at the team leader's call answering performance but he also mentioned that a direction by the manager to the employee had been interpreted by the employee as "*... to incorrectly inflate the actual call figures so as to realize the CSSS benchmarks and not to test the ...*".

5.40 BEST's Chief Executive Officer advised my Office that, consistent with his approach to the matter of staff communication, he did not initiate any action on this identified correspondence as the subject involved a confidential staff file and matters concerning Intergraph's staff were outside the powers of his position. He stated that no file notes or other documentation were compiled to record the restrictions faced by him on this issue.

□ **RESPONSE** provided by Secretary, Department of Justice

The CGM regularly reported progress with the preparation of the Mercer Report and other actions taken to the Ministerial Steering Committee for Emergency Services Telecommunications including the preparation of a draft Briefing Note. The draft Briefing Note was used as the basis for discussions with Mr Thwaites regarding the allegations made in Parliament.

Audit has selectively quoted from the Minutes of the Ministerial Steering Committee, i.e. the subsequent sections of the Minutes are not referred to and should be included for completeness as they deal with the discussion held with Mr Thwaites, the acceptance by the MAS of the Mercer Report and its release by the MAS to Mr Thwaites. In conjunction with these actions the MAS had powers and obligations under the Contract in relation to the preparation of the Mercer Report so the comment that the MAS "complied" with BEST's recommendations is inaccurate.

In the Department's view the MAS, having the Contract relationship with Intergraph, agreeing with Intergraph the scope of the activities to be undertaken by Mercer and accepting the findings and recommendations of the Mercer Report had the responsibility to make any reports to Parliament. In our view, any report to Parliament should have been made by the Minister for Health and not by the Minister for Police and Emergency Services.

Audit takes considerable issues with the lack of breadth of BEST's consideration of the test calls matter. However, audit has acknowledged that the use by Intergraph of test calls during reconfiguration processes is technically consistent with the management of Call Centres elsewhere in the world" (Section 6.12) and that Mercer concluded that it found no evidence that the statistics generated by the Intergraph computer system are inaccurate reflecting positively on Intergraph and the integrity of the call data volumes generated by its system (Section 6.19).

It needs to be stressed that BEST formed the view that because the Current Activity Level Benchmark was being exceeded at the time the MAS raised the matter of the test calls and hence CSSS did not apply, there was a strong likelihood that the claims being made by un-named persons would have little materiality on the performance outcomes of the system. Accordingly, the decision to request Intergraph to conduct an interview with their staff came after the decision was made to discuss with Mr Thwaites the basis of the allegations he made in Parliament. Negotiations took place with Intergraph management on the question of conducting interviews with Intergraph staff. Intergraph held the position that Intergraph executive management should interview their staff and agreement was reached on a process whereby these staff could contact either the Managing Director of Intergraph or the CGM on a confidential basis. However, it must be stressed that even though Mercer and the CGM sought to have discussions with the ex-Intergraph staff it had not been possible to hold these discussions due to the unwillingness of these persons to participate in these discussions. If the point had been reached where current or ex-staff of Intergraph came forward to be interviewed then BEST would have recommended that the matter be referred to Victoria Police to conduct the interviews as this activity is outside BEST's area of expertise.

Part 6

**Further comments
on particular issues
relevant to BEST's
investigations**

MAJOR SIGNIFICANCE PLACED BY THE MAS ON THE E-MAIL OF 14 NOVEMBER 1997

6.1 As previously mentioned, BEST appointed William M Mercer Pty Ltd on 5 May 1998 to carry out, at the request of the MAS, an independent audit of Intergraph's call statistics. Negotiations on the firm's appointment and proposed scope of the project had commenced in early March.

6.2 Mindful of the allegations made in Parliament in April 1998, the 3 parties, namely, BEST, the MAS and Intergraph, reached agreement on the terms of reference for the exercise on 25 May 1998. The scope of the firm's study was expanded from the initially envisaged ambit of the review to incorporate a requirement to "... identify any factors that may be impacting or artificially inflating the volume of calls received and/or dispatches made, e.g. the use of test calls in monitoring the end to end performance of the system by Intergraph".

6.3 Three draft reports on the results of the firm's work were prepared by Mercer during the period July 1998 to December 1998 and its final report was presented to BEST and the MAS on 27 May 1999.

6.4 In August 1998, shortly after receipt of the first draft report from Mercer, a copy of the earlier mentioned e-mail dated 14 November 1997 sent by Intergraph's Tally Ho Communications Centre Manager to control room supervisors employed by Intergraph was located at the Centre and provided to the MAS.

6.5 The MAS advised BEST on 20 August 1998 that it was not prepared to accept the July 1998 draft report from Mercer as "... an adequate and sufficiently rigorous analysis of the issues". Given the contents of the e-mail of 14 November 1997, the MAS stated that, on the basis of advice received from its solicitors, such contents "... make it imperative that this aspect of the audit is the subject of a more detailed study than is reflected in the draft audit report".

6.6 On 27 August 1998, the solicitors of the MAS formerly conveyed their views to the organisation on the e-mail in the following terms:

"The regime of ensuring that someone is logged into NETCOM is presumably to ensure that the call answer time is the absolute minimum.

"There is no contractual provision which we can find for so called test calls. It seems that although there might be a legitimate purpose for Intergraph to test the system itself, the frequency and number of the calls being planned in the manner the email message suggests, is more consistent with a desire to increase numbers of calls and to reduce the average call answer time. We cannot explain why this would be done except to artificially increase activity levels and to artificially manipulate Intergraph's performance against CSSS benchmarks.

"It would also appear that the proposed timing of these calls - during the quietest time at night and on the weekend, where one would not expect to receive many non-emergency calls - is also intended to enhance response time and further skew the CSSS results."

6.7 The solicitors also stated *"We believe that BEST should provide the auditor with a copy of the e-mail message as a matter of urgency. That message puts a different complexion on some of the matters which are dealt with in the draft report and would no doubt cause the auditor to reconsider some of its conclusions. To allow the draft report to become final without the auditor having access to this piece of new evidence would be damaging to the integrity of the report and would be avoiding the underlying question, namely, are the call taking statistics being generated in a reliable fashion?"*

6.8 In response to the concerns of the MAS on the draft report, Mercer agreed to undertake additional work in respect of validating the source of information provided by Intergraph on call taking statistics and *"... certain other matters not considered to be part of the original scope of the assignment"*.

6.9 However, the Principal of Mercer confirmed in writing to BEST's Chief Executive Officer in September 1999, following discussions with my Office, that he *"... was unaware of any legal advice to MAS [with respect to the intent of the e-mail]. In any event I doubt that any legal advice would have affected my investigation which was to measure call volumes"*. In addition, he confirmed to BEST in the same letter that he had not seen the e-mail of 14 November 1997 and also advised my Office that he had not spoken to Intergraph's staff regarding the matter.

6.10 The position presented to BEST by the Principal in September 1999 contrasts with an earlier letter dated 1 September 1998 from him to BEST which indicated he had sighted both the legal advice and the e-mail. Also, as recent as 17 March 2000, the Principal advised my Office he had misinterpreted earlier discussions on the MAS's legal advice and had in fact sighted the letter from the MAS's solicitors. The apparent confusion of the Principal in this area raises doubts as to whether the specific request of the MAS to have Mercer undertake a more detailed study of issues arising from the e-mail was adequately acted upon by BEST.

6.11 During September 1998, BEST raised with Intergraph issues concerning test calls arising from the e-mail as well as the legal advice furnished by the solicitors of the MAS. Intergraph advised BEST that 3 similar instructions had been issued by its staff requiring test calls to be made at the Tally Ho Communications Centre as part of the company's continuous management and improvement of telephone queuing at the Centre.

6.12 Following BEST's examination of all 4 e-mails issued to Intergraph's staff, the Chief Executive Officer formed the view that, when read in context with the other 3 instructions issued by Intergraph, the e-mail of 14 November 1997 maintains a consistent message to Intergraph's supervisors and team leaders regarding the need to conduct test calls as an integral element of Intergraph's queue reconfiguration strategies. The MAS also advised my Office that, after considering the Chief Executive Officer's conclusion in this area, it had later *"interpreted some of the other 3 IBV e-mails as supporting a plausible reason for instructions to IBM staff to make 'Test Calls'. For example the e-mail from ... of 21 November 1997 suggests the instruction was to test that the system is*

6.13 As pointed out by a specialist in computer-aided dispatch systems engaged by BEST, the use of some test calls during Intergraph's reconfiguration processes is technically consistent with the management of call centres elsewhere in the world. This specialist view was accepted by my Office. Nevertheless, it is considered that the above collective interpretation by both BEST and the MAS of the 4 e-mails could be susceptible to challenge as a totally accurate assessment of the need to conduct test calls as 2 of the e-mails made no references to test calls at specified regular intervals while another of the e-mails dated 21 November 1997 merely confirmed the previous message issued on 14 November by the Manager of the Communications Centre.

6.14 In any event, the fact that BEST was not in a position, because of a lack of authority, to directly interview staff of Intergraph, as pointed out in earlier paragraphs, meant that the Chief Executive Officer's unqualified conclusion on the intent of the e-mail of 14 November 1997 would always, in my opinion, remain open to question.

FINDINGS OF THE MERCER REVIEW

6.15 William M Mercer Pty Ltd completed its assignment on behalf of BEST and the MAS with the furnishing of its final report to the 2 organisations on 27 May 1999.

6.16 The initially agreed fee for the tasks undertaken by Mercer was \$10 000. In December 1998, the firm was paid \$40 500 by BEST in recognition of the additional work requested by the MAS. In July 1999, a final payment of \$5 140 (making a total of \$45 640) was made by BEST as a result of the need to investigate the matter further in the light of the firm's discussions with the Shadow Minister for Health.

Key findings presented in Mercer's final report

6.17 The conclusions reached by Mercer from its investigations, as presented in the executive summary of its final May 1999 report, were as follows:

"The current reported activity levels for both emergency calls ('ERTCOM') and non-emergency calls ('NETCOM') are derived from a different base of calls to the one used for deriving the original activity level benchmark agreed to by MAS and IBV. The current call base is more appropriate than the base used for the benchmark. The benchmark should be altered so that the activity levels in the benchmark come from the same types of calls as are currently being measured.

"Our investigation revealed that the ratio of dispatches to call activity has been relatively stable. The apparent decrease shown in the reported ratios has arisen because some call activity has not been shown but should have been included in the earlier statistics, i.e. the actual call activity being managed by IBV has been understated.

"After adjusting activity levels for ERTCOM omitted call activity and the effect of NETCOM facsimiles we found that activity levels have been increasing as have dispatches. Our investigation indicates that activity and dispatches have been increasing at approximately the same rate. This leads to the conclusion that the increase in activity levels is consistent with the increase in the requirement for service.

"We found no evidence that the statistics generated by the computer system are inaccurate.

"We found that call forcing has no effect on activity levels but has had a significantly positive effect on speed in answering calls. Call forcing was one of a number of initiatives introduced in the period from August 1997 to January 1998 to improve performance.

"There were significant test calls in early December 1997 because IBV were reconfiguring telephone queues at that time making test calls necessary to ensure telephone queues were operational. There were insignificant numbers outside of the August 1997 to January 1998 period.

"The Master Service Contract states that IBV will obtain an exemption from the CSSS levels if there is an increase of 10% in the volume of calls above the benchmark level. In December 1997 the activity levels exceeded 110% of the benchmark by 1 140 calls. From our investigation we estimate that the total test calls in December to be of the order of 300. In any event we believe they are unlikely to be more than 400 out of a total activity level for the month of 29 375 calls. If we remove the test calls then IBV would still have not been subject to the CSSS requirements.

"We suggest that IBV record test calls and deduct these from activity statistics in future so that any question that these may be inflating statistics is removed."

6.18 Within the body of its report, Mercer stated that test calls "... have had no effect on the contractual obligations and therefore have provided no financial advantage..." to Intergraph.

6.19 On the claims made in Parliament by the Shadow Minister for Health, Mercer commented that some information had been made available "... but the information dealt with issues outside the scope of this Report and, in any event, did not affect the conclusions reached in the report".

Valuable information reported to the parties on particular issues

6.20 It should be recognised that several of the findings reported by Mercer provided valuable information to BEST and the MAS (as well as to Intergraph) on particular aspects of Intergraph's call taking operations. For example, the firm's conclusion that it found no evidence that the statistics generated by the computer system are inaccurate reflected positively on Intergraph and the integrity of the call data volumes generated by its system. It also constituted particularly useful advice to the MAS as that organisation had placed some emphasis on this area in the early arrangements for an independent audit and had stressed, in its reaction to early draft reports submitted by Mercer, the importance of the firm directing adequate attention to examination of records containing source data held by Intergraph.

6.21 Also, Mercer's recommendation that any test calls be separately recorded and deducted by Intergraph from the monthly activity statistics to avoid any question that test calls may be inflating the statistics was very sound advice to the parties. The recommendation was immediately accepted by the MAS when raised in Mercer's first draft report and BEST instructed Intergraph on 16 November 1998 to put the new arrangements in place.

6.22 With regard to this particular recommendation, both BEST and the MAS advised my Office that they are reliant on Intergraph for ensuring the accuracy and integrity of the monthly statistics reported by the company. I consider, therefore, that there would be benefit for all parties if the contract was amended to allow for independent verification, from time-to-time, of the monthly statistics produced by Intergraph to provide additional on-going assurance on the accuracy and integrity of reported data.

6.23 A further benefit from the Mercer study was that the MAS and BEST became aware that 2 telephone lines receiving up to 2 000 emergency calls per month had been included by Intergraph in monthly activity statistics since June 1997. These telephone lines had not been recognised when the original activity benchmark of 828 calls per day was developed in 1996 and incorporated into the contract. The activity benchmark under the contract was subsequently increased from 828 to 912 calls per day following agreement reached by the MAS and Intergraph in March 1999.

6.24 The value of Mercer's disclosure of this matter was reinforced by the fact that this activity benchmark is directly relevant to determining whether or not CSSS requirements apply to Intergraph in any particular month and, as such, any understatement of its level can have significant financial ramifications for the contractual parties. Further comment on this matter in the context of a need for more open and timely communication on important issues from Intergraph to BEST and the MAS is presented in Part 9 of this Report.

Emphasis by Mercer that its assignment from BEST did not constitute an investigation or audit

6.25 The earlier commentary within this Report on Mercer's understanding of the breadth of its obligations to BEST under its engagement indicated that the firm considered its brief did not extend to ascertaining whether test calls were being used to artificially bolster performance statistics or whether senior personnel of Intergraph were instructing staff to make test calls for this purpose.

6.26 In discussions with my Office, Mercer's Principal elaborated on this view and stressed the tasks undertaken by his firm did not exhibit the characteristics of an audit or an investigation aimed at confirming or refuting serious assertions about an individual's or entity's practices. The focus of his firm's brief was, as he described *factual information on call volumes*". The Principal added that he is a professional actuary and was not qualified or competent to undertake any form of investigation which extended beyond this specific area of expertise. Accordingly, he considered the scope of the project basically involved a statistical and analytical study. He stated his company operated as consulting actuaries and could not under any circumstances be regarded as an audit firm.

6.27 The contractual provisions relating to the engagement of a “Customer Auditor” by BEST (in this case on behalf of the MAS) state that “... *audits will be carried out based on generally accepted auditing principles in Australia. This will involve a systems based audit approach where appropriate to achieve audit objectives*”.

6.28 The above comments on the characteristics of the Mercer study should not be interpreted as criticism of the firm’s performance by my Office. I can well appreciate the firm’s analysis of the boundary of its work given its speciality in the statistical and actuarial fields, and the obvious sensitivity and investigative focus which would necessarily need to be associated with an exercise concerned with serious allegations raised in the Parliament.

6.29 Whether the firm’s understanding of its brief mirrored that of BEST, as the engager of the firm, and the expectations of the MAS is difficult to determine but the Principal did stress in his discussions with my Office that he considered the scope of the project, as agreed with BEST and the MAS, was fully met.

6.30 The purpose of the comments is to point out that, on the basis of the evidence available to my Office, the Mercer review could not be regarded as a customer audit as defined under the contract. In addition, the absence of an investigative or audit focus meant the results of the study could not be used to enable one to conclude with any confidence whether or not the allegations on test calls put forward in April 1998 in Parliament had substance.

6.31 I also feel that the lack of an investigative concentration in the tasks undertaken by Mercer contributed to a position where 2 aspects of its findings dealing specifically with test calls, namely, the firm’s comments on the volume of test calls made by Intergraph around the time mentioned in the allegations and its view that test calls had no impact on the application of CSSS requirements to Intergraph, could be questioned.

Mercer’s comments on the volume of test calls made by Intergraph

6.32 In relation to call volume, Mercer estimated that the level of test calls made by Intergraph was no more than 400 out of a total call activity for the month of December 1997 of 29 375 calls. This volume was seen by the firm to be insignificant in terms of influencing total call activity.

6.33 According to the expert in computer-aided dispatch systems engaged as a consultant by BEST, test calls made by Intergraph involved the team leader or a dispatcher dialling the non-emergency phone number, connecting to a call taker within the same room, indicating it was a test call and hanging up immediately. The e-mail message of 14 November 1997 issued by the Communications Centre Manager emphasised that persons making test calls must make sure someone was logged into the non-emergency call queue before calls were made. As these calls did not require any processing, it is estimated that call answer speeds would have been around one or 2 seconds.

6.34 The only mechanism available to Mercer to detect test calls was through listening to the tape recordings that are made of every telephone conversation. As use of this method is extremely time consuming, the firm decided to listen to a sample of taped conversations, selecting 2 days in June 1997 (which identified just one test call), 3 days in November 1997 (3 test calls), 7 days in December 1997 (67 test calls) and 2 days in May 1998 (nil test calls).

6.35 With the exception of tapes for 5 December 1997 which were listened to for the whole 24 hour period, tapes for all remaining days were only listened to for the 6 hour period between midnight and 6.00 a.m. The firm explained to my Office that further days were not tested due to prohibitive cost factors. Furthermore, the 6 hour period was chosen because the firm was advised by Intergraph's staff that the majority of test calls were made in this period.

6.36 The firm concluded that, based upon its sample, around 300 test calls and probably no more than 400 test calls were made by Intergraph in December 1997.

6.37 In the absence during the course of the audit of data held by BEST on non-emergency call activity levels for December 1997, my Office considered that Mercer's projection may be understated given that the Centre Manager's e-mail of 14 November 1997 emphasised that test calls must be made every half hour between 7.00 p.m. and 7.00 a.m., 7 days per week. Mercer's own tests revealed that for 5 December 1997, a day selected to listen to tapes for the full 24 hour period, 36 test calls were detected as compared with only 23 calls for the period between midnight and 6.00 a.m. on the same day.

6.38 As recent as 7 March 2000, BEST's Chief Executive Officer provided to my Office several charts (presumably recently prepared) which, in his opinion, reflected a test call activity level of between 300 to 400 calls in November and December 1997. The Chief Executive Officer also indicated the charts disclosed the probability that test calls were placed between 8.00 p.m. and 5.00 a.m. in December. My Office is not in a position to verify the underlying source data for these charts.

6.39 In its final report, Mercer stated there were insignificant test calls "*outside of the August 1997 to January 1998 period*" notwithstanding that the firm only listened to tape recordings on 4 days outside of this period (2 days in June 1997 and 2 days in May 1998). Mercer did not listen to any tape recordings between July and October 1997 or during January 1998. However, the Principal informed my Office he was aware that some test calls were made in January 1998, a position confirmed by BEST from the data recently compiled by it.

6.40 Following a request from the Department of Premier and Cabinet, the MAS estimated that, based on the frequency of test calls demanded by the Centre Manager in the e-mail of 14 November 1997, potentially up to 900 such calls per month could have been made. Given over 7 800 non-emergency calls were registered by Intergraph for the month of December 1997, the inclusion of up to 900 test calls answered almost immediately would materially influence call answer speeds.

to Intergraph. It indicated that even if test calls, “*unlikely to be more than 400*” in December 1997, were excluded from reported call volumes, Intergraph would still have not been subject to CSSS requirements as December activity levels exceeded the activity benchmark under the contract by more than 10 per cent.

6.46 Mercer concluded in effect that as the estimated volume of test calls made did not materially influence Intergraph in gaining an exemption from CSSS requirements, it was not relevant to examine the potential impact of test calls on call answer speeds. In addition, the scope of the firm’s study did not require it to examine performance measures, because, as emphasised by Mercer, was restricted to assessing the impact of test calls on monthly activity levels.

6.47 While the contract with Intergraph provides for the company to be exempted from the CSSS requirements when the level of actual calls exceeds the benchmark by more than 10 per cent, the reality of the situation in late 1997 was that the MAS was withholding moneys totalling \$371 000 due to the repeated failure of Intergraph over most of 1997 to meet the stipulated performance levels.

6.48 The legal authority for the MAS to withhold these moneys had been strongly disputed by Intergraph. In discussions with my Office on this report, senior representatives of Intergraph emphasised that legal advice obtained by it clearly supported its position in this matter. The representatives went on to say the company had therefore formed the view that, irrespective of whether or not the CSSS were met, the outstanding moneys would be recouped from the MAS in due course. In September 1997, Intergraph issued a dispute notice to the MAS on this issue.

6.49 It was nevertheless evident from the standpoint of the MAS that Intergraph would not receive the moneys withheld by it until the company had met the CSSS performance levels.

6.50 The importance of Intergraph improving its performance was clearly signalled in the e-mail of 14 November 1997 from the Communications Centre Manager to staff at the Centre.

6.51 The significance placed by Intergraph on meeting all CSSS benchmarks was further reinforced in a memorandum of the company dated 24 December 1997, which became available during the course of my Office's audit. In this memorandum, the control room manager had sought explanations from a team leader on why the required level of test calls had not been made the previous night resulting in the night's performance relating to non-emergency calls falling well below the benchmark levels.

6.52 The relevance of examining this area as part of the process of reaching a conclusion on the allegations raised in Parliament and the intent of the November 1997 e-mail is emphasised by the fact that a large number of test calls answered within one or 2 seconds can have the effect of reducing average call answer speeds for the total number of calls received on non-emergency workstations.

6.53 Based on the average number of non-emergency calls of around 250 per day made in December 1997, a test call activity of up to 36 calls per day, as identified in the Mercer report, would represent 14 per cent of total calls. It is considered that an exercise aimed at establishing the validity or otherwise of the allegations would have needed to determine the extent to which a test call level of this potential magnitude, with calls answered almost instantly, impacted on the achievement by Intergraph of the call answer speed required under the CSSS by the end of each month.

6.54 A further consideration relevant in this area is the fact that the contract does not specify the mathematical calculation required to determine the percentage of non-emergency calls answered on a daily and monthly basis within 30 seconds. In discussions on this point, both BEST and the MAS were unable to elaborate on the calculation method. The MAS advised my Office that "*it has not had cause to initiate action to verify its understanding of the calculation method used by IBV.*" Depending upon how this calculation is undertaken by Intergraph, a small number of test calls made during hours of low call volume activity in accordance with the direction issued by the Communications Centre Manager on 14 November 1997, could markedly influence average call answer speeds on a daily basis. The Mercer study did not address how average call answer speeds are calculated by Intergraph.

6.55 The MAS carried out an exercise in October 1998 to estimate the impact of test calls on compliance with call answer speed requirements set down in the CSSS for non-emergency calls. Based on an assumed level of 30 test calls per day, the MAS calculated the CSSS impact of the test calls in November 1997 to be 2.27 per cent. In other words, the actual reported compliance level for November 1997 of 84.3 per cent of calls answered within 30 seconds would have been inflated by 2.27 per cent which, when deducted, would result in a level of 82.03 per cent, but still outside the stipulated 90 per cent level within the CSSS.

6.56 A similar exercise undertaken by the MAS for the month of December 1997, when the CSSS requirement was met with 92.9 per cent compliance, disclosed that this figure would have been inflated by one per cent after allowing for test calls. The revised compliance level of 91.9 per cent would still be, however, above the CSSS target of 90 per cent.

6.57 For both months therefore, the inclusion of test call statistics within reported activity levels did not impact on Intergraph's entitlement to its monthly service fee. Nevertheless, the MAS exercise did demonstrate that a high level of test calls could, given the appropriate circumstances, make a difference to the achievement of CSSS requirements.

6.58 On 20 October 1998, following a request from the Department of Premier and Cabinet, the MAS forwarded a copy of its calculations to that Department.

6.59 No further action was taken by the parties to widen the scope of the Mercer review to allow for an assessment by the firm of the impact of test calls on the performance of Intergraph against the CSSS.

6.60 In summary, it is considered that the work program established by BEST should have made specific provision, whether as part of the Mercer assignment or a separate action, for addressing whether the making of a large number of test calls by Intergraph would have been of assistance to the company in meeting the call answer speed requirement stipulated within the CSSS and in recouping moneys withheld by the MAS. Consideration of this matter would have been necessary to assist both BEST and, in turn the former Government, in forming a view on whether or not all test calls made by Intergraph were necessary.

STEPS TAKEN BY BEST TO ADDRESS EXPLANATIONS FROM INTERGRAPH ON TEST CALLS

6.61 As part of its actions to examine the concerns raised in December 1997 by the MAS and to address the allegations made in the Parliament in April 1998, BEST received in August 1998 the views of an external expert in computer-aided dispatch systems. It also obtained in October 1998 written explanations from Intergraph concerning the use by the company of test calls.

6.62 The above actions were designed to assist BEST in reaching a view on the validity of test calls made by Intergraph.

Establishing the validity of explanations for test calls – input from an external specialist

6.63 The importance of the involvement of an external specialist in BEST's review process was accentuated by the fact that the Mercer study relied on the expert's input in terms of explanations for test calls.

6.64 On this point, Mercer's Principal advised my Office that *"This was not part of the scope of my assignment. I was only to assess the effect test calls had on call volumes. I was not required to establish the reasons for test calls. Therefore my report comments on the reasons given to me for test calls only. I was not required to establish the validity of the reasons"*.

6.65 An important message conveyed to BEST by the specialist was that the use of some test calls was technically consistent with the management of call centres elsewhere in the world. This view was accepted by my Office.

6.66 The main task undertaken by the specialist on behalf of BEST involved discussions with the Manager of the Tally Ho Communications Centre. The results of these discussions were documented in a memorandum dated 24 August 1998 to BEST (which was also attached by Mercer to its final report submitted to BEST and the MAS on 27 May 1999).

6.67 The specialist's memorandum to BEST summarised several reasons given by the Centre's Manager for the use of test calls. These reasons mainly related to a number of important improvement strategies which had been progressively introduced by the Manager to raise the level of Intergraph's call taking performance. These strategies were detailed in writing to BEST by Intergraph in October 1998, 2 months after completion of the input received by BEST from its consultant (specific comment on the improvement strategies is included in the next section of this Report).

6.68 As pointed out in the memorandum, the Centre's Manager stated that *overall purpose of the test calls was to obtain a greater understanding of the call queuing system processes and to confirm that the NETCOM call queue was working as expected during quiet periods"*.

6.69 Other key points on test calls conveyed to the consultant and recorded in the document were:

- *"At the time of the test calls, there were issues with Team Leaders not fully understanding the operation of the queuing systems or how they could optimise calltaking resources between ERTCOM and NETCOM queues during times when the NETCOM activity level was low.*
- *"At the same time, 'call forcing' was also being introduced to assist with the reduction in call answer times. Call forcing within an Automatic Call Distribution system is where the next available operator is automatically connected when an incoming call is received. This must be compared with operator call answering where the Operator selects the next call in the queue when the Operator is ready. There can be some unnecessary delay while the Operator actually selects the next call.*

- *“The Centre Manager at Tally Ho, ... [name excluded], specifically wanted to:*
 - *identify the most appropriate method of utilising and linking the ERTCOM and NETCOM telephone call queues;*
 - *confirm that calls were not missed or delayed during quiet times; and*
 - *focus on ways of reducing call answer times.*

- *“The test calls allowed ... [name excluded] and the Team Leaders to gain better understanding of the queuing processes, to assess the impact of changes to the configuration of the queues and to observe the impact of callforcing.*

- *“The test calls were completed over an extended period to check the effect of the changes to the configuration and to see if any further optimisation would be appropriate. It also provided an indicator of the effectiveness of the education of the Team Leaders.”*

6.70 It was confirmed by the specialist in discussions with my Office that his memorandum identified the reasons for test calls as explained by the Centre Manager and that he did not attempt to substantiate whether these reasons justified the frequency and volume of test calls actually made by Intergraph. He also did not undertake any work to establish how the test calls could achieve a greater understanding of the call queuing system.

6.71 The specialist further stated that his memorandum “... was only a very small quick internal report for BEST and was completed in isolation of the Mercer and other reports”.

6.72 I consider the work of the external expert, as arranged by BEST, did not constitute a comprehensive review aimed at establishing whether the frequency and volume of all test calls made by Intergraph were justified.

Explanations furnished by Intergraph to BEST in October 1998 on test calls

6.73 Before making reference to the explanations provided to BEST by Intergraph on test calls, it is important to acknowledge that urgent action had to be taken by Intergraph in 1997 to meet the CSSS requirements set out in its contract with the MAS. As mentioned in an earlier paragraph, the MAS had withheld moneys from Intergraph because the company had failed to meet such requirements for most of 1997.

6.74 The CSSS requirements for call answer speeds in respect of non-emergency calls had been achieved by the company in the early part of 1997, but performance deteriorated from June 1997, partly as a result of Intergraph's concentration on meeting the emergency call measures.

6.75 Intergraph's current Communications Centre Manager was recruited in June 1997 with the task of improving the performance of the Centre. The written explanations furnished by Intergraph to BEST in October 1998 provided an important opportunity for the company to articulate its position on the allegations concerning test calls. The explanations centred on the initiatives taken by the Manager over the early months of his appointment to assist in improving the overall call taking performance of the company. The various improvement strategies communicated to BEST included:

- The introduction of "*call forcing*" for the MAS in September 1997 which, as mentioned by the Centre's Manager to BEST's external specialist, is a system which automatically directs a waiting telephone call to the headset of the first available call taker (the specialist advised my Office that call forcing was only applied to the emergency workstations as it was not technically possible to direct call forcing to a second queue). Prior to the introduction of this system, incoming calls would be displayed at the individual call stations. However, answering of calls required the call taker to manually select the call from the telephone handset when he or she was ready to begin communication with the caller. This process could involve a few extra seconds of waiting time.
- An emphasis on "*dynamic queue management*". In June 1997, Intergraph operated 3 separate telephone queues, namely, the emergency call queue, a combined emergency/non-emergency queue and a non-emergency queue. Dynamic queue management involves physically adding additional call takers to any of these queues where there is any increase in the volume of waiting calls, as occurs during certain times of the day or where major emergencies occur. In the past, the timing of the movement of call takers in anticipation of increased call volumes was always difficult to judge and, in addition, the physical relocation of call takers often involved an unacceptable time delay. To address this problem, during September through to December 1997, experimentation occurred with the existing queues and a facility was introduced under which waiting calls could be automatically switched by team leaders between the queues, thus improving the ability of the staff to respond immediately to surges in call volumes.
- An initiative designed to improve call answering speed performance for emergency calls which involved restricted use of the combined emergency/non-emergency queue in mid-November 1997. The reason for this decision was based on the fact that non-emergency calls, due to their lower priority than emergency calls, were placed at the bottom of the queue of waiting calls. This situation meant that surges in emergency calls often prevented non-emergency calls being answered within 30 seconds. In mid-December 1997, an automatic overflow facility was placed on the non-emergency queue, under which all non-emergency calls not answered within 30 seconds were directed to the emergency queue.
- The use of telephone queue reconfigurations. This process involved the direction of certain telephone call lines to specific queues at predetermined times in order to attempt to spread call volumes more evenly and, therefore, reduce call answer speeds; and
- Additional training of supervisors in the use of dynamic queue management to minimise delays in answering waiting calls.

. The report did not acknowledge that call forcing was introduced some months earlier in September 1997. Also, as advised by BEST's consultant, call forcing was only applied to the emergency queue and technically it was not possible to apply call forcing to a second (non-emergency) queue. Intergraph had earlier informed BEST that test calls were directed to the non-emergency queue.

- When advising BEST in October 1998 that test calls were made to assist in the testing of the reconfiguration of the telephone queues to find the optimum queue reconfiguration, Intergraph stated there was some risk that in reconfiguring telephone queues the non-emergency queue could inadvertently be cut-off. As this queue for a short period became a stand-alone station with no overflow of calls to the emergency queue, disconnection would not be readily apparent during quiet periods. It was further stated that the only way that supervisors could be certain that a queue was operational was to place a test call. Non-emergency stations are not operational at all times of the day. The direction by the Communications Centre's Manager in the November 1997 e-mail was that prior to making a test call "*make sure somebody is logged into Netcom before you do it*". Given that BEST was aware that the non-emergency queue was closed down during certain times of a day and calls were diverted to emergency call takers, it would have been reasonable to question Intergraph as to the reason for re-activating a non-emergency call workstation in order to make test calls.

- There was no evidence available during the course of my Office's audit to indicate if BEST undertook specific inquiries of Intergraph in the 2 areas shown below on why frequent test calls, as identified in the e-mail issued by the Centre's Manager, were necessary to determine whether non-emergency queues were operational:
 - consideration of the existence of an LED display board in the Tally Ho control room which visually displays all incoming calls for both emergency and non-emergency queues and shows which stations are operational; and
 - an examination of the volume of non-emergency calls covering the months of November and December 1997 which occurred between the hours of 7.00 p.m. and 7.00 a.m. (the times referred to in the November 1997 e-mail). During the course of my Office's audit, BEST advised it had sought such statistics from Intergraph but the company had declined to provide this information. Very late in my Office's audit (in February 2000), BEST's Chief Executive Officer advised he had in fact carried out earlier research which indicated that between 6.00 p.m. and 5.00 a.m. around 17.4 per cent of the total non-emergency call volume had occurred in December 1997. Given this volume of calls, BEST should have raised questions as to why test calls would be necessary during these times as hospitals, via use of a dedicated facsimile line for non-emergency bookings installed at Intergraph, would quickly advise if the system was not operating satisfactorily.

6.79 If BEST had carried out investigative work in relation to the above 4 matters, it would have been in a stronger position to form a view on the validity of all explanations provided by Intergraph for test calls made by the company.

□ **RESPONSE** provided by Chief Executive Officer, Metropolitan Ambulance Service

MAS's acceptance of the Mercer report was after consideration of the following:

1. *The Mercer report included a finding that "There were significant test calls in early December 1997 because IBV were reconfiguring telephone queues at that time making test calls necessary to ensure telephone queues were operational".*
2. *The Mercer report had addressed deficiencies identified by MAS in earlier (July 1998, November 1998 and December 1998) draft versions; in particular the final report made it clear that the auditor had verified Intergraph's reported call statistics with the source data generated from the ACD-MIS system.*
3. *The report included an audit finding which identified the cause of the apparent anomaly with respect to the ratio of Calls and dispatch Events. This was the key issue which led to MAS's initial request for the audit.*

❑ **RESPONSE** provided by Chief Executive Officer, Metropolitan Ambulance Service - continued

4. Action taken directly by BEST to investigate the e-mail/test call issue as follows:

- (a) the engagement of an independent technical adviser, Mr Rik Head of C3 Plus Pty Ltd to investigate and report on the reasons for the NETCOM test calls;
- (b) the request to Intergraph management to provide an explanation of the reasons for the test calls;
- (c) the approach to the then Shadow Minister for Health seeking any further information that may have added to, or altered, the findings of the audit.

❑ **RESPONSE** provided by Secretary, Department of Justice

As audit notes, BEST compiled its assessment of the 4 e-mails provided by Intergraph in order to put the 14 November 1997 e-mail in context. This assessment was done for the information of MAS, which it is understood, had never seen the other e-mails up to this point. This assessment was provided as an attachment to the draft Briefing Note dated 18 December 1999. As this Briefing Note was a draft it was open to discussion by all parties copied with the Briefing Note for comment. It was therefore never put forward as an "unqualified conclusion".

The use of "test calls" in relation to volume of calls is referenced in both the scope of the activities to be undertaken by Mercer and in the Mercer Report. It appears that there is some confusion in the use of the terms "volume of calls" and performance statistics. Mercer was engaged for the former and not the latter.

The acting CEO MAS advised both verbally and in writing that the MAS accepted the Mercer Report and its recommendations, therefore, it is difficult to understand audit's doubts about whether the expectations of the MAS have been met?

The graphical analysis undertaken by BEST of the NETCOM data attached to the draft 18 December 1998 Briefing Note in comparison with the 1998 and 1999 data now available was shown to audit at the consultation meeting on 21 February 2000. Audit was advised that this analysis clearly highlighted the assumed "test calls" in November and December 1997 and what would appear to be some calls in January 1998 by being able to compare the 1997, 1998 and 1999 NETCOM volumes.

This analysis further confirms the conclusion reached by Mercer from sampling techniques. This graphical analysis was provided in the BEST response to the draft preliminary report delivered to audit on 7 March 2000.

Audit is aware that the delay in providing this response resulted from the need for BEST to provide documentation to the Metropolitan Ambulance Royal Commission.

Mercer's advice indicted that there were insignificant "test calls" "outside the period August 1997 to January 1998". The more recent analysis by BEST indicates that there may have been approximately 200 "test calls" in January 1998, however, after this period no further irregular patterns have been identified.

BEST and Mercer were never provided with the analysis that the MAS provided to the Department of Premier and Cabinet indicating that up to "900 test calls" may have been placed. However, the recent analysis of the actual NETCOM Call Activity Level data for June - December 1997 and 1998, 1999 indicates that this level of

"test calls" did not occur and that at a maximum the volume of calls was no more than 400.

□ **RESPONSE** provided by Secretary, Department of Justice - continued

BEST is not aware of the legal advice provided to MAS as referred to by audit. However, legal advice provided to MAS from its solicitors Russell Kennedy in a letter dated 10 June 1998 recommended that the MAS pursue a commercial settlement of the dispute with Intergraph on the basis that "not having availed itself of the opportunity to in effect accelerate the dispute and take the matter to the point of Contract termination, MAS falls back to the almost unavoidable interpretation that all withholdings are liable to be repaid under the terms of the Master Service Contract". This advice was provided after consideration of Clauses 68A3.3 and 68A4.3 of the Contract but avoided consideration of Clauses 67A3 and 67A4, which address the issue of Current Activity Levels in excess of the Current Activity Benchmark.

The audit position of "irrespective of the legality of the MAS's action" simply cannot be taken, as the conditions of the Contract apply in the delivery of CAD service to MAS and the other ESOs. The audit comment assumes that Intergraph would not take the option of having the contract dispute resolved in Court.

Audit's comments require amplification to indicate that the CSSS in place at that time were also in dispute as a result of the Contract dispute between MAS and Intergraph over the introduction of AMPDS/ProQA. Intergraph indicated its incentive was to meet the CSSS for the longer term.

After Intergraph met the CSSS in December 1997 MAS still withheld 50% of the outstanding payments until June 1998 following receipt of the legal advice referred to above and the settlement of the dispute with Intergraph.

BEST had not seen the memorandum referred to by audit. However, the issue of such a memorandum would appear to be usual management practise in a situation where an employee had not undertaken a task previously identified as being required. This would be particularly so in a public safety environment. The action does, however, reinforce (in written form) the intent of Intergraph management to meet the CSSS.

Audit's comments regarding the use of "test calls" to artificially improve performance would be valid if a large number of "test calls" had been consistently undertaken. However, as estimated by Mercer and reinforced by BEST's recent analysis, large volumes of test calls did not occur.

The MAS never amended the scope of the activities to be undertaken by Mercer to consider the matters raised by audit. The MAS exercise was a theoretical exercise where as BEST used actual NETCOM data and examined Team Leaders log sheets for evidence of references to "test calls" some of which indicated that the volume of calls removed the need for the "test calls" to be undertaken. The recent graphical analysis by BEST using the 1998 and 1999 data sets depicts the increase in call volume over the November 1997 - January 1998 period.

□ **RESPONSE** provided by Secretary, Department of Justice - continued

EST Pty Ltd was engaged by BEST to examine the use of "test calls" in conjunction with the technology changes taking place at the Tally Ho Centre was not briefed to justify the frequency and volume of "test calls" made by Intergraph. The Consultant was highly experienced and familiar with the situation he was requested to assess. If any abnormalities had been detected then a more detailed assignment would have been undertaken. The Consultant has described to audit the use of "test calls" in the commissioning of new systems and also described the difficulties some Intergraph staff were having with the ACD/MIS and hence the queuing reconfiguration. Audit has accepted that "the use of 'test calls' during Intergraph's reconfiguration processes "is technically consistent with the management of call centres elsewhere in the world".

Intergraph in conjunction with the MAS introduced the Medical Priorities Consulting system of structured calltaking to the Tally Ho SECC in December 1996. This system is known as AMPDS (manual system) and ProQA (computerised system) and is used by Calltakers to assess and prioritise ambulance calls using questions developed through international practise and approved by the MAS Medical Standards Committee.

The AMPDS/ProQA system requires Calltakers to develop skills in the use of the system, which are then measured and reported on both an individual and Team basis. This degree of operator performance assessment and accountability was not present at the former MAS East Doncaster Communication Centre.

Neither the MAS nor Intergraph had any knowledge of the impact that the introduction of AMPDS would have on the calltaking process. Problems subsequently encountered with the introduction of this system caused ERTCOM calltaking performance to drop dramatically through between February and March 1997.

These problems resulted in a major contract dispute between MAS and Intergraph over the responsibility for these problems and the CSSS that should apply given that CSSS moved from Level 1 to Level 2 in February 1997. This dispute was not finally resolved until June 1998. For the period of the dispute MAS withheld 10% of the monthly Service Charge payments due to Intergraph in support of its commercial position building up to an amount of \$371 000.

The combination of the introduction of a totally new calltaking system introducing new standards of operator accountability and performance measurement together with a followed shortly thereafter by a significant increase in February 1997 in the level of CSSS to be met in service delivery and potentially understaffing because of the error in the original Current Activity Level Benchmark in hindsight created a complex commercial, technological and organisational environment at the Tally Ho SECC that could have been avoided through better planning.

BEST is not aware of any further dispute relating to the introduction of AMPDS causing MAS to withhold 50% of the total Service Charge withholding. The MAS withheld this amount of money to maintain a commercial advantage over Intergraph in the dispute over the introduction of AMPDS.

The reference in the Mercer Report to callforcing is an error that was not corrected in the final draft of the report. Callforcing was introduced in early September 1997 for the MFESB followed by MAS ERTCOM.

RESPONSE provided by Secretary, Department of Justice - continued

The NETCOM workstations are not operational at all times. The Team Leaders had discretion as to when to pool calltaking resources in the evening hours on the basis of the call volumes being received. When this occurred the NETCOM queue was shut down by means of the automatic overflow. In this situation NETCOM calls are automatically transferred to the ERTCOM queue to be answered. In order to be able to place a "test call" for the NETCOM queue on a "end to end" basis a NETCOM work station has to be logged into the NETCOM queue.

The suggestion made by audit regarding the use of the LED is noted. The objective of the actions undertaken to consider the concerns raised by the MAS was not to identify alternatives to the use of the "test calls" but whether the use of these "test calls" was for a legitimate purpose.

Likewise, MAS is paying a Service Charge to have Intergraph determine the optimum method of ensuring the telephone system is continuously operational. (Note: The LED is used to indicate the types of calls in the telephone queues not whether (work) stations are operational. Implementation of audit's suggestion could result in the LED showing no NETCOM calls waiting because the queue was not operational and Team Leaders/Calltakers would not be aware that the queue was not operational. The use of "test calls" also provides an "end-to-end" test of all components of the telephone system).

BEST provided advice regarding the analysis of the June - December 1997 NETCOM call volumes following the realisation that audit had not reviewed all files relevant to this matter.

The comment by audit that "hospitals, via use of a direct telephone line installed at Intergraph, would quickly advise that the system was not operating satisfactorily" is unacceptable in a professional health care environment. Audit is suggesting that the responsibility for monitoring the "health " of the NETCOM telephone system should rest with the hospitals or the broader NETCOM user community rather than with Intergraph, the company engaged by the MAS to provide the NETCOM service.

Part 7

**Contractual
provisions precluded
a direct role by
the MAS in the
Mercer review**

OUTLINE OF POSITION FROM THE VIEWPOINT OF THE MAS

7.1 Although a party to the State's contract with Intergraph, the MAS does not have the power to conduct in its own right an audit of the operations of Intergraph's computer-aided call taking and dispatch system. The authority to appoint a *Customer Auditor*, the term specified in the contract, rests with BEST and the appointment by it of William M Mercer Pty Ltd represented the exercise of that authority on behalf of the MAS in this instance.

7.2 BEST's selection of Mercer reflected its satisfaction with a previous assignment undertaken for it by the firm on behalf of another emergency service organisation, the Metropolitan Fire and Emergency Services Board.

7.3 The contract also provides for the appointment of a *Customer Audit Officer* who is responsible for scheduling an audit and overseeing its results, but cannot carry out the actual audit work. An officer of BEST assumed this important scheduling and overseeing role on behalf of BEST's Chief Executive Officer.

7.4 A distinct weakness of the above arrangements from the viewpoint of the MAS, the actual party to the contract with Intergraph with responsibility for approving periodic service payments to the company, was that it had to rely on another entity, BEST, to select an auditor and manage the audit exercise on its behalf. This position effectively prevented the MAS from having direct and ongoing input into the conduct of the audit by Mercer and, in turn, ensuring that the direction of the audit was always aimed at adequately resolving the concerns it had formed in December 1997 on call taking levels. These concerns, which focused on the accuracy of call statistics and triggered the review process, had been reinforced by the allegations made in the Parliament around 4 months later in April 1998.

7.5 It is appropriate, when presenting the above point, to recognise that BEST regularly consulted with the MAS throughout the Mercer review. Nevertheless, the MAS was very much distanced from direct scrutiny of Mercer's review processes because of the nature of the contractual provisions. A strong sense of organisational frustration at this less than desirable position was conveyed by senior officials of the MAS in discussions with my Office.

7.6 Based on the MAS's experiences in this case, the Government should evaluate the feasibility of assigning, within the contractual arrangements with Intergraph relating to independent audits, a direct authority to the MAS and the other emergency service organisations to appoint an auditor and manage the audit process, whenever circumstances are assessed to be serious enough to indicate such action is deemed to be in the State's interest. There would be merit in seeking the views of the other emergency service organisations as part of this evaluation.

□ **RESPONSE** provided by Secretary, Department of Justice

Master Service Contract and the role of the Customer General Manager

Refer also to comments made in the Executive Summary

The MAS never conveyed to either the CGM or the Ministerial Steering Committee for Emergency Services Telecommunications the concerns raised by audit.

The Contract allowed the MAS to assert itself and exercise its rights at any time the MAS was not satisfied with the conduct of the audit. MAS formally exercised this right on 3 occasions during the activities undertaken by Mercer.

Part 8

**Information provided
to my Office from
external sources**

OUTLINE OF ACTION TAKEN BY MY OFFICE

8.1 On 8 October 1999, the former Shadow Minister for Health publicly announced he had obtained a statutory declaration from a former employee of Intergraph. The Shadow Minister stated that the “... former Intergraph employee has confirmed that phantom calls were made to the ambulance dispatch centre to help Intergraph meet its contractual obligations”. He also indicated, *inter alia*, that the statement by the former employee “... reveals that Intergraph staff were given an instruction to make regular test calls to reduce the average call response time”.

8.2 Since that public release, several other individuals familiar with Intergraph’s operations approached my Office. These individuals provided confidential information and documentation which, in their view, supported the allegations contained in the released statutory declaration.

8.3 The individuals clearly indicated they wished to remain anonymous at that time. However, they did state they would be prepared to provide information to an appropriate official authority such as Victoria Police or a judicial forum. Because of this position, Intergraph did not have an opportunity to become aware of and respond to the comments provided to my Office.

8.4 My Office wrote to BEST in November 1999 and advised it of the above circumstances. The advice conveyed to BEST also mentioned it is not the role of the Auditor-General to establish whether or not the matters addressed in the supplied information could be substantiated. That issue was a matter for investigation either by Victoria Police or a judicial forum. My Office expressed the view to BEST that the seriousness of these developments warranted prompt official action.

8.5 The response from BEST’s Chief Executive Officer, which was received at my Office on 2 December 1999, was as follows:

“I note your advice that Mr ...s’ [name deleted] report is to be completed in the near future and further consultation would then take place with myself and other parties. In accordance with legal requirements and proper administration, my staff and myself will co-operate fully with the Auditor-General in respect of any matter which is the subject of inquiry affecting BEST. I further confirm that if I receive factual information which indicates the possible commission of a criminal offence I will immediately refer the matter to Victoria Police for further investigation. However I will not, and cannot, act upon unsubstantiated allegations.

“I further note that with the agreement of Mr..., [name deleted] Secretary to the Department of Justice, I have discussed this matter with the Victorian Government Solicitor. The Government Solicitor has noted that this matter may be affected by the proposed terms of reference of the Ambulance Service Royal Commission. Until those terms of reference have been settled and published it would not be appropriate to take any further action because that inquiry may embrace the issues which are the subject of the proposed report.

“The matter will be discussed further as soon as the terms of reference for the Royal Commission have been settled and made known to us.”

8.6 It can be seen that BEST opted not to refer the November 1999 advice from my Office to Victoria Police for immediate investigation but determined to await the finalisation of the terms of reference of the Royal Commission which was then proposed by the Government.

8.7 As mentioned in the early paragraphs of this Report, 2 of the terms of reference later established by the Government, and announced on 21 December 1999, for the Metropolitan Ambulance Service Royal Commission address matters relating to call taking practices of Intergraph.

8.8 On 23 February 2000, my Office advised BEST that, a few weeks earlier, contact had been made with the external parties who had approached the Office to advise them of the existence of the Royal Commission. This action was taken to enable them to individually approach the Commission and act in accordance with their earlier wishes, if they still desired.

□ **RESPONSE** provided by Secretary, Department of Justice

BEST, on the advice of the Victorian Government Solicitor advised audit that it would not and could not act upon unsubstantiated allegations and noted that this matter may be affected by the Terms of Reference of the Metropolitan Ambulance Service Royal Commission.

This position is consistent with that maintained by BEST since the time that the matter of "test calls" was first raised by the MAS, i.e. if any substantiated evidence was found regarding the alleged use of the "test calls" by Intergraph the matter would immediately be referred to the Victoria Police.

On 22 February 2000, audit advised BEST that it had notified these un-named persons of the establishment of the Metropolitan Ambulance Service Royal Commission to enable them to individually approach the Commission.

Part 9

Scope for better communications from Intergraph to BEST and the MAS

IDENTIFICATION OF NEED FOR ENHANCED COMMUNICATIONS BETWEEN THE PARTIES

9.1 Under outsourcing arrangements, and particularly with large contracts such as the contract involving Intergraph and the State's emergency service organisations, there must exist a climate of goodwill, trust and open communications between all parties in order for successful outcomes to be achieved. This principle was emphasised in Special Report No. 50 - *Metropolitan Ambulance Service: Fulfilling a vital community need* which was tabled in the Parliament by the former Auditor-General in November 1997. That Report drew attention to a major disagreement between the MAS and Intergraph which had developed during 1997 concerning the application of revised and more stringent performance measures (including measures for call answer time) introduced from 1 February 1997. The Report outlined the adverse implications of such circumstances to both parties.

9.2 BEST's role as customer general manager under the contract with Intergraph is essentially that of facilitating communications and co-ordinating the delivery of services between the company as the service provider and the emergency service organisations as the customers.

9.3 The study by William M Mercer Pty Ltd arose principally from concerns formed by the MAS relating to the validity of the monthly call activity figures generated by Intergraph which form the basis for the monthly service charges payable to the company. The MAS had observed that, despite a considerable increase in the volume of emergency and non-emergency calls in the period after June 1997, the ratio of actual dispatches of emergency and non-emergency vehicles had decreased relative to calls.

9.4 During the examination of issues by my Office, the MAS advised that efforts by it to obtain explanations from Intergraph for this anomaly were unsuccessful and it was this situation which led it to refer the matter to BEST who engaged William M Mercer Pty Ltd to carry out an independent audit in line with the relevant contractual provisions. To embark on this course of action was indicative of the seriousness of the position as seen by the MAS.

9.5 The report presented by Mercer identified that the explanation for the increase in call activity related to 2 telephone lines receiving up to 2 000 emergency calls per month that had been included by Intergraph in the monthly activity statistics from June 1997 following an internal review. However, Intergraph did not inform either BEST or the MAS of its actions, and the practice did not come to notice until the first draft of the report from Mercer over 12 months later in July 1998.

9.6 The additional 2 telephone lines had not been recognised when the original benchmark of 828 calls per day was developed in 1996. As such, the impact of the inclusion of the additional calls in the monthly call activity statistics meant that, in the absence of adjusting the original activity level benchmark of 828 calls per day, Intergraph was more likely to exceed the benchmark by more than 10 per cent.

9.7 In normal circumstances (i.e. in the absence of any dispute with the MAS on the revised performance measures introduced from February 1997), Intergraph would have been entitled to its full monthly service charge irrespective of whether or not the CSSS requirements were met. Because of the dispute between the parties, the MAS was in fact withholding \$371 000, representing 10 per cent of the contract payment due to Intergraph for the months of February to June 1997 and August to October 1997 until such time as Intergraph met the CSSS.

9.8 It was not until March 1999, 8 months after the MAS and BEST became aware of the matter, that agreement was reached between the MAS and Intergraph for the benchmark activity level of 828 calls per day to be increased to 912 calls per day to reflect the additional call lines.

9.9 To illustrate the financial benefit to Intergraph of including these additional calls in the monthly activity reports, the MAS advised my Office that, if it had known of the existence of the 2 telephone lines, the benchmark activity level would have been increased from June 1997 to reflect the additional calls. It would then have been entitled to withhold a further \$92 700, equivalent to 10 per cent of the contract fee payable to Intergraph for the months of July and November 1997, as Intergraph's call volumes would not have exceeded the new benchmark level of 912 calls per day in those 2 months.

9.10 A further important communication issue experienced by BEST and the MAS related to the fact that Intergraph did not advise BEST or the MAS in advance that test calls were to be made by the company. The possible existence of test calls only became known through anonymous information provided to the MAS and the former Shadow Minister for Health.

9.11 If communications from Intergraph to BEST and the MAS during 1997 on the 2 additional telephone lines and the use of test calls had been open and timely, the parties would have been in a position to examine the 2 matters and address to their respective satisfaction any implications to the contractual arrangements. With such an environment, it is not likely the MAS would have found it necessary to request an independent audit and Intergraph's use of test calls would not have led to questions on the integrity of its call statistics.

9.12 It is important that BEST and the MAS ensure that, at all times, communication channels from Intergraph to the 2 organisations are operating effectively and there is frank and open exchange of all critical information impacting on their capacity to bring about adequate contractual performance.

9.13 I consider a new clause should be inserted in the contract specifying that Intergraph notify BEST and the MAS when there has been a significant change in its operations, such as the inclusion of additional telephone lines, which is likely to impact upon the services and information provided under the contract.

9.14 Attention should also be directed towards strengthening the overall position of the MAS (and the other emergency service organisations) in the role of customer under the contract on matters such as access to records and information of Intergraph which are directly relevant to the delivery of contractual services. This latter action would improve the capacity of the State's representatives in their monitoring of Intergraph's contractual performance.

❑ **RESPONSE** provided by Secretary, Department of Justice

Audit's comments require amplification to indicate that both Intergraph and the MAS had previously agreed the Call Activity Level Benchmark figure based on the data then available to both organisations. This indicates that neither the MAS nor Intergraph had possession of sufficient statistical information to dimension the service to be delivered by Intergraph.

The inclusion of the additional calls in the Current Activity Level Benchmark cannot be retrospectively applied to determine whether CSSS would have applied.

The identification of these additional calls resulted in the dimensioning of the actual workload being undertaken by Intergraph for the MAS.

While the argument of financial disadvantage to the MAS is noted, audit also needs to note that the Manpower Variation between MAS and Intergraph was based on the original Current Activity Level Benchmark of 828 calls per day which in turn determined the labour (staff numbers) that Intergraph required to deliver the CAD service to meet the CSSS. It can, therefore, be assumed on a commercial basis that if Intergraph had possessed better information relating to the number of calls to be processed then its labour costs (staff numbers) would also have increased and therefore the cost to the MAS would have increased. The argument could also be considered that one of the reasons that Intergraph was having difficulty in achieving the CSSS (apart from the problems associated with the implementation of AMPDS) was the lesser number of staff employed than required.

In regard to audit's recommendation that Intergraph notify BEST and the MAS where there has been significant change in operations it is not the number of telephone lines that need to be monitored, it is the trend in Current Activity Levels. BEST has already taken action to monitor the Current Activity Levels for all ESOs, not just the MAS, on both an individual and aggregate basis. BEST has been reporting this information to the Ministerial Steering Committee for Emergency Services Telecommunications for the past 13 months. The emphasis needs to be placed on the ESOs managing the Current Activity Levels that represent the demand from the community for their services.

The Contract between Intergraph and the MAS currently defines all data associated with the CAD system as "Customer Data", i.e. belonging to the ESOs with the exception of data relating to the operation of the CAD system.

Part 10

**Need for the
Auditor-General to have
specific access authority to
information held by private
sector contractors**

IMPORTANCE OF EARLY LEGISLATIVE CHANGE

10.1 As indicated in earlier paragraphs, the objective of this particular audit exercise focused solely on the nature and adequacy of action taken by BEST and the MAS with respect to the allegations made in the Parliament in April 1998. Accordingly, any explanations provided by Intergraph to the 2 agencies in relation to the subject matter, as documented in correspondence and other records held by the agencies, were available for examination during the course of the project. As such, it did not become necessary to seek direct access to the records of Intergraph.

10.2 Section 12 of the *Audit Act* 1994 provides the Auditor-General with the power of access to information held within the public sector. However, the Act does not assign specific access authority to documents and other property held by private sector contractors which relate to services provided by such contractors to public sector agencies. Also, while section 11 of the *Audit Act* does empower the Auditor-General to call for documents and records deemed relevant for the purposes of an audit, including documents in the possession of contractors, this authority does not enable access to information held by contractors on their premises such as data recorded in automated management information systems.

10.3 It is not uncommon now, particularly with major contracts, for the bulk of records and other information relating to the delivery of public services to be held by a private sector contractor. In such circumstances and without a specific access provision, it can often be difficult for my Office to obtain important operational information relating to the underlying contractual arrangements.

10.4 Insertion of a specific access authority within the audit legislation would enable the interests of Parliament to be protected in those circumstances where the Auditor-General, after considering other alternatives, deems it necessary to directly examine records of contractors which relate to the provision of a service to a public sector agency.

10.5 The need for the Auditor-General to have access, at reasonable times and after giving reasonable notice, to records and other property of private sector contractors was initially raised by my Office with the former Government during 1998.

10.6 The matter was then discussed with the current Government in the context of changes to the *Audit Act* 1994 introduced by it to the Parliament during the 1999 Spring Session. While this particular issue was not included in the 1999 amendments passed by the Parliament, the Premier advised in the Second Reading Speech that a number of other important issues, including the question of audit access to records of contractors, required further consultation with other parties and would be considered at a later stage.

10.7 I am hopeful the Government will agree to include this important issue as part of further amendments to the audit legislation.

❑ **RESPONSE** provided by Secretary, Department of Justice

Audit's comments in Section 10.1 in respect to information provided by Intergraph and held by BEST and the MAS on their files is noted, together with audit's advice that this negated the need for audit to seek direct access to the records of Intergraph.

This being the case, it is considered appropriate that audit make comment that these sections of the Report refer to access authority to information held by private sector companies generally and not Intergraph specifically.

Appendix A

**Terms of reference
established for
the independent audit by
William M Mercer Pty Ltd**

Terms of reference established for the independent audit by William M Mercer Pty Ltd

- Review the basis for derivation of the MAS Benchmark Activity Levels.
- Confirm that the current reported actual activity levels are derived from the same basis.
- Identify why the ratio of dispatched events to calls received is falling.
- Identify any factors that may be impacting or artificially inflating the volume of calls received and/or dispatches made, e.g. the use of test calls in monitoring the end-to-end performance of the system by IBV.
- Identify why emergency and non-emergency calls are increasing.
- Determine if the use of “call forcing” by IBV affects the reported call statistics.
- Validate the correlation between information recorded on the voice loggers and the CAD system.

Appendix B

**Memorandum
prepared by
BEST's external
specialist**

Memorandum prepared by BEST's external specialist

	MEMO	BEST- EST
To	Michael Whelan/Helen Trihas	
From	Rik Head	Ref
Date	24 Aug 98	File m980824-2.doc
Subject	MAS Test Calls and Trevor Williams - further annotated 31 Aug 98	
CC		
Attachment		

Details:
As requested, Rik Head has discussed the issue of MAS Test Calls and the reasons for them with Trevor Williams, the Centre Manager for IBV at Tally Ho.

The overall purpose of the test calls was to obtain a greater understanding of the call queuing system processes and to confirm that the NETCOM call queue was working as expected during quiet periods. .

NETCOM test calls were made each night by the IBV Team Leader over the period October - December 1997.

The tests consisted of the Team Leader dialling the NETCOM phone number, being connected to an appropriate Operator, indicating it was a test call and hanging up. CAD events did not result from the test calls however, the test call results were included in the call answer time statistics.

The number of test calls per day ranged from 0 to 23. On an average day somewhere between 300 and 400 telephone calls are received for MAS non-emergency transports, mostly during the day. Hence, any impact on call answering would be minimal.

There are a number of options available with the telephone call queuing for MAS calltaking. There are separate NETCOM and ERTCOM queues and a combined NET/ERT queue where NETCOM calls spill over to the ERTCOM queue when a threshold is exceeded. Operators can only log into one of these queues at a time.

At the time of the test calls, there were issues with Team Leaders not fully understanding the operation of the queuing systems or how they could optimise calltaking resources between ERTCOM and NETCOM queues during times when the NETCOM activity level was low.

At the same time, "call forcing" was also being introduced to assist with the reduction in call answer times. Call forcing within an Automatic Call Distribution system is where the next available operator is automatically connected when an incoming call is received. This must be compared with operator call answering where the Operator selects the next call in the queue when the Operator is ready. There can be some unnecessary delay while the Operator actually selects the next call.

Call Forcing should be considered as one method of fine tuning the call answer performance of a CAD system. Hence, consideration of its introduction would be a result of an assessment by management of existing performance and the expectation of the improvement that would result.

In the case of IPS fine-tuning by the use of call forcing and further optimisation of call queues became a priority when it became obvious to management that further performance improvements were needed to meet and exceed the CSSSs.

It is understood that a number of memos were sent by Trevor Williams over a period of months to Team Leaders and other Tally Ho staff regarding the introduction of call forcing and associated call answer performance issues.

Centre Manager at Tally Ho, Trevor Williams, specifically wanted to:

- identify the most appropriate method of utilising and linking the ERTCOM and NETCOM telephone call queues;
- confirm that calls were not missed or delayed during quiet times; and
- focus on ways of reducing call answer times.

This required further education of Team Leaders in the use of the call queuing configuration and their training in dynamic matching of the number of Operators to the ERTCOM and NETCOM call queues during expected peak and quiet periods throughout the 24 hours of the day.

The test calls allowed Trevor and the Team Leaders to gain better understanding of the queuing processes, to assess the impact of changes to the configuration of the queues and to observe the impact of call forcing.

The test calls were completed over an extended period to check the effect of the changes to the configuration and to see if any further optimisation would be appropriate. It also provided an indicator of the effectiveness of the education of the Team Leaders.

Given the small number of NETCOM calls during quiet times overnight when compared with ERTCOM calls, test calls on NETCOM also ensured that any queue reconfiguration familiarisation by Team Leaders did not inadvertently cause a problem. In addition, it kept the Team Leaders focused on the importance of understanding and managing the NETCOM queue system.

The testing and education activities identified above have resulted in the reconfiguration of the MAS call taking queue system to optimise Operator call answer times and better matching of NETCOM operator resources to activity levels at different times of the day, without impacting ERTCOM.