



Outsourcing of service invoicing of federal fee recipients – performance audit

Key facts

Every year, the Federal Administration awards external service contracts worth between CHF 30 million and CHF 40 million to approximately 5,800 employed persons, so-called fee recipients. The Confederation was prompted to outsource payroll administration for the Federal Administration's fee recipients to an external service provider as of 2012 for various reasons – legal uncertainties concerning social insurance, litigation risks, reputational damage for the Confederation, risks concerning access rights, IT shortcomings and anticipated cost benefits. According to the Federal Office of Personnel (FOPER), however, economic efficiency considerations played a minor role. In 2015, the payments to the provider amounted to approximately [REDACTED].

In view of the Confederation's cost-cutting efforts and the upcoming contract extension with the external service provider, the Swiss Federal Audit Office (SFAO) investigated whether outsourcing is also economical for the Federal Administration.

Costs higher than projected, therefore a reassessment spread over time is recommended

According to the FOPER, the new process has become well established and has significantly improved processing. Before outsourcing, the FOPER had also expected that the Confederation could achieve net annual savings of around CHF 600,000. The audit could not corroborate whether these savings were achieved. However, it is striking that the costs for the external service provider are [REDACTED] as originally assumed. This is mainly because it was not possible to reduce the number of fee recipients as planned.

No alternative was ready at the time of the audit and a system change would lead to major investments according to the FOPER. In view of the higher annual administrative costs and the Confederation's cost-cutting efforts, the SFAO has recommended that the FOPER use the experience acquired since 2012 for the planned new tender. The FOPER should ensure it is in a position to benefit from the service provider's efficiency gains (due to higher volumes, learning curve effect and process efficiency achieved) even after the contract has been awarded.

As it can be assumed that further technological development could open up new opportunities for alternatives, the FOPER should not rule out insourcing – insofar as reasonable in terms of cost/benefit considerations – and should regularly scrutinise the design of the overall process for optimisations.

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