

Vendor Managed Services: Question and Answer

I. The Program

a. In General how does the Vendor Managed Services (VMS) Program work and what are the benefits?

The DSI VMS program is focused on solving a business challenge:

- Contingent labor procurement, cost control and management

As a business grows so do the contingent labor demands. DSI has the technology, expertise and management to evaluate the current challenge and provide recommendations. There are many values to the VMS program. Here are just a few:

- Single Point of Contact for all open Contingent Labor positions
- Value and Accountability as a participating vendor
- One Contract for all Contingent Labor with DSI
- Scalable program – registered for business in 34 states and Canada.
- Insulation from Co-Employment and Sub-Contractor issues
- Management of Multiple Contingent Labor Providers saving HR and line managers time and hassle
- Standard contract for all Contingent labor providers with fixed markup
- On-Site Management Representation for handling all contingent labor issues
- Customized Invoices
- Online Electronic Timecards and Approval
- Customized Reporting

There are two types of VMS programs: Vendor Neutral and Participating. Vendor Neutral programs do not recruit candidates for open orders, they simply manage a list of sub contractors to provide contingent labor. DSI is a participating vendor. At DSI we practice the OSA model: Ownership, Structure and Accountability. By using the OSA model our management team will take Ownership of your program by using the model Structure making them Accountable for the product. We qualify the order and take ownership to ensure the best candidates are provided in a timely manner.

b. How is the DSI Vendor Managed Services (VMS) Program Implemented?

Implementation of the VMS Program is accomplished in three phases:

Phase I includes the collection of vendor data to establish a benchmark for generating VMS performance criteria including, but not limited to:

- Reduction of suppliers to an optimum number
- Establish rate equivalencies by skill sets
- Reduction of Client vendor interaction (thereby increasing the efficiency of the work force)
- Establish vendor performance evaluations to grade and evaluate each

- Establish an efficient hiring process for all contractors
- DEMONSTRATE COST SAVINGS.

Phase II of the program implementation is orientation and training. Through training programs, documented procedures, and face-to-face meetings we will educate each hiring manager on the VMS program.

Phase III of the program is the vendor awareness and implementation. After establishing the sub-contractor criteria, each vendor will be given an opportunity to apply for “preferred vendor status”. Each vendor will be evaluated based on their qualifications including the following:

- Years in the staffing industry
- Annual revenue
- Applicable references
- Business history

Implementation time line will be as follows:

- Phase I: Data Collection; 2-3 Weeks
- Phase II: Orientation and Training; 1-2 Weeks
- Phase III: Implementation; 2-4 Weeks

Total Project Implementation time is 5-9 Weeks. Various stages of each phase may be implemented in parallel.

c. How will consistent rates be established among all contractors with the same skills?

During the implementation of Phase I contractor classifications will be established based on skill sets. Each classification will include a competitive pay range to meet the market demand. Each skill set and pay range will be established with a compensation salary survey using competitive industry data.

The standard pay rates will be applied during the final phase of the primary vendor project implementation. If an existing contractor’s pay rate is above the established range, the Client may elect to “grandfather” the existing pay rate using stability as justification. Implementation details can be customized to minimize operational impact to the Client.

d. How will DSI establish consistent terms and conditions with contingent labor suppliers (Subcontractors):

Each sub-contractor will be required to execute a standardized Subcontractor Agreement. This agreement is between Dynamic Staffing, Inc. and the individual Subcontractor. The standardized terms of this agreement will be established by DSI and approved by the Client. Once approval is achieved the terms will not be revised without written consent by the Client. This standard agreement will include, but is not limited to, the following major terms:

- Contractor submission process
- Establishment of employee/employer relationship

- Time reporting and invoice procedures
- Billing calculations and payment terms
- Minimum insurance coverage with proof required
- Capped mark ups

Execution of this standard agreement will ensure consistency with each sub-contractor.

e. Will the VMS program help bring down the total number of vendor invoices we are receiving?

One invoice per month (or customized frequency) will be transmitted to the Client via electronic media by DSI. If electronic media is not the preferred method of invoice transmission DSI shall comply with any reasonable request regarding content, format, and manner of submission. Support documentation will be available with the submitted invoices to resolve any discrepancies. Collection and compilation of each contractor's hours and sub-contractor billing/time reporting will be the sole responsibility of DSI. DSI can also provide customized invoices for clients if consolidated billing is not preferred.

II. Contingent Labor Management

a. How will the VMS program increase the efficiency of my contingent labor program?

As outlined in the DSI Primary Vendor Managed Services Agreement the requirements, billing and order processing are defined. The cycle begins with the contractor service request form (CSR) and finishes with order processing. Centralized communication throughout the process is vital and will be maintained via the DSI On-Site Representative (OSR). All correspondence between DSI or sub-contractors and Client management will flow through the DSI Rep.

All time reporting and billing will also be centralized through DSI. Time reporting will be processed by DSI and accumulated in detail for each billing period. The DSI STAR-Portal will provide for the collection of hours via individual contractor and supervisor login. Each contractor will submit their hours for approval weekly. Their supervisors will receive notice via email and will login for approval. The contractor will receive notice when the hours are approved. Payroll and billing will be generated automatically from this input. Invoices will be sent to the Client via the preferred Client shipping method.

b. How will the VMS program reduce the management time during the selection and hiring process?

In accordance with the Primary Vendor Managed Services Agreement DSI will minimize each Client hiring manager's time throughout the process by utilizing a centralized point of contact for each contract service request (CSR). All candidates will be screened and qualified for consideration by DSI. All qualified candidates will be presented to the hiring manager by DSI within 72 business hours (3 business days) unless specified

otherwise by the CSR or the hiring manager. The Client may request additional resumes by notifying the DSI On-Site Representative. Each candidate will be presented via email providing a qualification summary along with an applicable resume. This process will minimize and optimize the hiring timeline and interaction required of each hiring manager.

c. How will the Subcontractors be evaluated for performance?

Each subcontractor will be evaluated annually for performance. The list of providers will be fixed during this period of time. If it is determined that an adjustment must be made to the list of providers this will be discussed with the Client.

III. Effective communication throughout the process

a. How can DSI control the hiring process and maintain effective communication for each candidate?

There are six (6) consolidated areas to address in effective communication throughout the process:

1. Clear, concise gathering and disbursement of contact requirements
2. Adequate documentation and tracking to avoid duplicate submission, vendor accountability and resume history
3. Accurate, real-time disposition of job orders
4. Single point of contact for Suppliers/Primary Vendor Partners
5. Job Order and Candidate Tracking
6. Reduce labor procurement life cycle

Each VMS Program will be assigned to a DSI Team. This team will consist of the following members:

- On-Site Representative - the single point of contact for all contingent labor procurement.
- Area Representative - the management contact associated with the account for contractual issues and reporting
- Customer Service Representative - the “back office” representative to address payroll, billing and all other accounting functions

In addition, upon implementation of the VMS Program DSI will deploy their fully integrated online software (TempWorks) to enhance the communication and increase the efficiency of the labor procurement process. Using this Internet-based media, development of this package has allowed DSI to enhance the labor procurement process for companies throughout the United States by simply accessing the web. We have integrated our technology with industry “best practices” to deliver efficient, paperless workflow to our organization and yours.

A demonstration of our VMS software can be arranged. To best describe the paperless workflow we can walk through a typical contingent labor request for contract services. Below you will notice each process step is based upon a time line using the receipt of the Contractor Service Request (CSR) at time zero.

The First 24 Hours

Immediately upon completion and approval of the CSR, the On-Site Representative (OSR) will receive electronic notice. The OSR will review the completed CSR to insure that the form clearly defines the needs of the hiring manager. If there are any discrepancies (i.e. no pay range, not enough detail or weak skills description) the OSR will call the hiring manager and clarify areas of confusion. The clarification of the initial request is the single most important element in reducing cycle time, improving the quality of candidate and reducing overall cost. A CSR is considered an approved request when the designated Client manager has approved the request and the OSR has concurred.

The CSR is assigned a tracking number when generated. This number allows the OSR and the Client managers to access the progress of the CSR at any time. This system also allows for the immediate and accurate flow of information from the manager to the supply chain. The CSR information will be held in the STAR-Portal for the duration of its life cycle accessible to all hiring manager. The status of a CSR can be any one of the following throughout its life cycle:

- Open
- Partially Filled (if more than one individual is required)
- Filled
- Cancelled

Within 24 hours after the CSR is in the system as an Open order.

Days 1-4 (24-96 Business Hours)

As candidates are received the OSR will attach the candidates to the order within TempWorks. Each candidate will be screened by the OSR to the best of their ability against the CSR for technical adequacy and thoroughness. The OSR will also match the candidates against other open CSR's for potential matches. Qualified candidates are sent to the hiring manager for review. At any time in the process hiring manager can access the status of the order including the prospective candidates. By the completion of the 96th business hour the OSR should have qualified candidates for the hiring manager to screen.

Days 4-5 (96-120 Business hours)

Within 24 hours after the hiring manager has received the qualified candidates they will send notice to the OSR of candidates they would like to interview. A quick response is essential in securing the highest quality talent. Candidate feedback can be given one of two ways:

- Verbal notice to the OSR (in person or voice mail)
- Notice via email

All correspondence will be documented in TempWorks between the OSR and any hiring manager. At this time the hiring manager will schedule tentative interview times for all candidates requiring face to face or phone interviews. Special arrangements will be made for candidates that are out of the area, i.e. plane flights, transportation, etc.

Days 5-7 (120-168 Business Hours)

The OSR will coordinate candidate interviews and confirm those interviews with the hiring authority. Interviews should be scheduled within 48hrs after the selection of qualified candidates.

24 Business Hours After the Final Interview

The hiring manager will be asked to make a “go / no go” decision within 24 hours after the final interview. After the interviews if there are still no qualified candidates, the OSR will continue to coordinate with the approved vendors in search of additional candidates. When a qualified candidate has been selected the OSR will confirm a start date with the hiring manager and arrange the orientation.

The TempWorks STAR-Portal will provide real time access to the status of each order. The order will provide the basis of candidate and job tracking. DSI will also generate Monthly/Quarterly reports to reflect the account activity. The report package will include, but not be limited to, the following:

- Spending by overall company and department
- Head Count by Vendor
- Starts and Ends by department and vendor

IV. Reflect Professional Image of the Client

a. How can DSI increase efficiency during the on-site interview process for each candidate and manager?

For VMS programs with a full time OSR, each candidate qualified for interview will report to the DSI OSR before meeting with the Client hiring manager. This screening process will last approximately 30 minutes and includes the validation of each candidate’s qualifications. After completion of the qualification process the OSR will facilitate the introduction of the candidate to the hiring manager.

Each hiring manager will receive an email reminder 24 hours before each scheduled interview and another message via voice mail 2 hours before the interview.

This program will optimize the on-site interview process to minimize the time involved for all the parties involved.

b. How can DSI facilitate a comfortable orientation process for all new hires?

For VMS programs with a full time OSR, DSI will coordinate and ensure all start dates. Each contractor will report to the DSI OSR to facilitate new employee orientation for all on-site personnel. The OSR will also provide new on-site personnel with an introduction to all of the Client facilities and confirm that they are the single point of contact for all questions and concerns regarding personal or business related issues. The new contractor will be issued the on-site Client policies and procedures manual applicable to their position or project along with any site specific safety training required. For programs

with less than full time OSRs the support will be scaled down to accommodate the volume.

c. What benefits are provided for contract employees?

All DSI full time employees without a defined end date, scheduled for 32 hours per week or more, will be eligible for fully comprehensible major medical and health benefits for themselves and their families. The DSI qualified section 125 cafeteria plan provides the capability of pre-tax premiums/deduction to all full time employees and includes, but is not limited to, the following benefits:

- Major Medical, Health Net PPO, HSA and HMO plans
- Dental, Best dental plans
- 401(k) Retirement Plan
- Disability Income
- Accidental Death and Dismemberment
- Group/Individual Term Life Insurance up to \$50,000 pre-tax

These benefits are subject to the applicable contract and rate schedule.

V. Demonstrate Cost Savings & Smooth Transition

a. How will DSI Demonstrate Cost Savings and ensure a smooth transition?

The DSI transition team will ensure the smooth transition and implementation of the VMS program. A team of DSI professionals with years of management and staffing experience will be deployed for implementation. The implementation will take place in three phases.

- Phase I: Data Collection
- Phase II: Orientation and Training
- Phase III: Implementation

Phase I: Data Collection

Collecting the existing vendor related data is imperative to establish baseline reporting to the organization. It also establishes which areas of the business need the most attention and where immediate cost savings exist. Until the establishment of the actual “Bench Mark” data, projected cost savings for the Client can be demonstrated using the cost analysis spreadsheet. This spreadsheet will allow Human Resources, Finance and Management an opportunity to evaluate the impact of DSI as the VMS. Data to be collected includes:

- All existing vendors
- The following information for each of the existing contractors:
 - o pay rates
 - o bill rates
 - o start dates
 - o end dates

- o work area
- Manager trends

Within 2-3 weeks the Client will have consolidated data regarding all contractor related information. It is with this data that DSI will establish the “Bench Mark” and demonstrate immediate, quarterly and annual savings. The Client will receive a “plan vs. actual” quarterly report to insure project milestones are met and cost objectives are achieved.

Phase II: Orientation and Training

The DSI OSR will manage orientation of all Sub Contractors. The hiring manager orientation will take place over a two-week duration. Human Resources will be asked to collaborate on a project timeline that affords each affected manager the opportunity to attend a meeting luncheon or if parties are not accessible in one location, a conference call. It will be at this meeting that the OSR will lead the orientation on the following topics:

- The order process
- The value
 - o Single point of contact
 - o Eliminate sales calls
 - o Eliminate Need for Vendor/Manager interface
- The expectation
 - o Lighten Manager Workload
 - o Improve quality of Candidates
 - o Cost savings

During the question and answer portion of the presentation Human Resources is encouraged to address organizational issues DSI would otherwise be at a disadvantage in answering. Human Resources will be provided a registration list and a report back on specific manager concerns and any follow up required. Managers will be provided documentation of helpful hints and application instructions for later use.

Focus meetings will be scheduled four weeks prior to kick off. The main purpose of this meeting will be Orientation and Training.

Management support is essential to the health of the program. The transition team will be responsible for earning trust and confidence. Once each manager understands the program and the organizational direction, DSI can interface and train qualified Primary Vendor Partners.

Each of the current vendors will be rated against a performance scorecard. The scorecard will evaluate each based on:

- Manager Demand
- Skills Demand
- Performance History
- Compliance with Sub Contractor Vendor Agreement

Once the initial rating and ranking is complete each manager will be notified. After final Human Resources and Management approval the Sub Contract Vendors will be added to the program.

Phase III: Implementation and Maintenance

At conception of the VMS Program, DSI and the Client will agree on an implementation date. All project timelines and milestones will be built based on this date. DSI OSRs will make regular visits to managers to insure compliance and Human Resources will be provided reports to track:

- Total Open Orders in the system
- Total contractors Onsite (head count)
- Quarterly Spending

The DSI OSRs will provide individual assistance for managers that require help. The program is considered fully functional when all the project milestones have been met. DSI will answer directly to Human Resources. DSI and Client will agree to provide work space available for the OSR. The Client will also provide security access for the OSR and the Area Manager. The OSR and the Area Manager will be available to all Client contacts when they are on site. When not on site they will be accessible by cell phone and email.