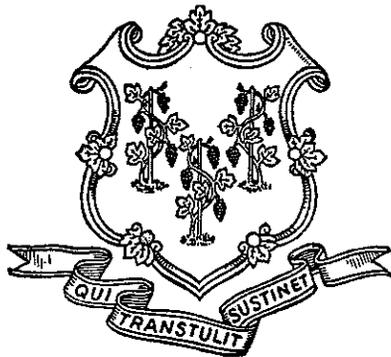


**PERSONAL
SERVICE
AGREEMENTS**

**Connecticut
General Assembly**



**LEGISLATIVE
PROGRAM REVIEW
AND
INVESTIGATIONS
COMMITTEE**

DECEMBER 1992

**CONNECTICUT GENERAL ASSEMBLY
LEGISLATIVE PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE**

The Legislative Program Review and Investigations Committee is a joint, bipartisan, statutory committee of the Connecticut General Assembly. It was established in 1972 to evaluate the efficiency, effectiveness, and statutory compliance of selected state agencies and programs, recommending remedies where needed. In 1975, the General Assembly expanded the committee's function to include investigations, and during the 1977 session added responsibility for "sunset" (automatic program termination) performance reviews. The committee was given authority to raise and report bills in 1985.

The program review committee is composed of 12 members. The president pro tempore of the senate, the senate minority leader, the speaker of the house, and the house minority leader each appoint three members.

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PERSONAL SERVICE AGREEMENTS

**LEGISLATIVE PROGRAM REVIEW AND INVESTIGATIONS
COMMITTEE**

DECEMBER 1992

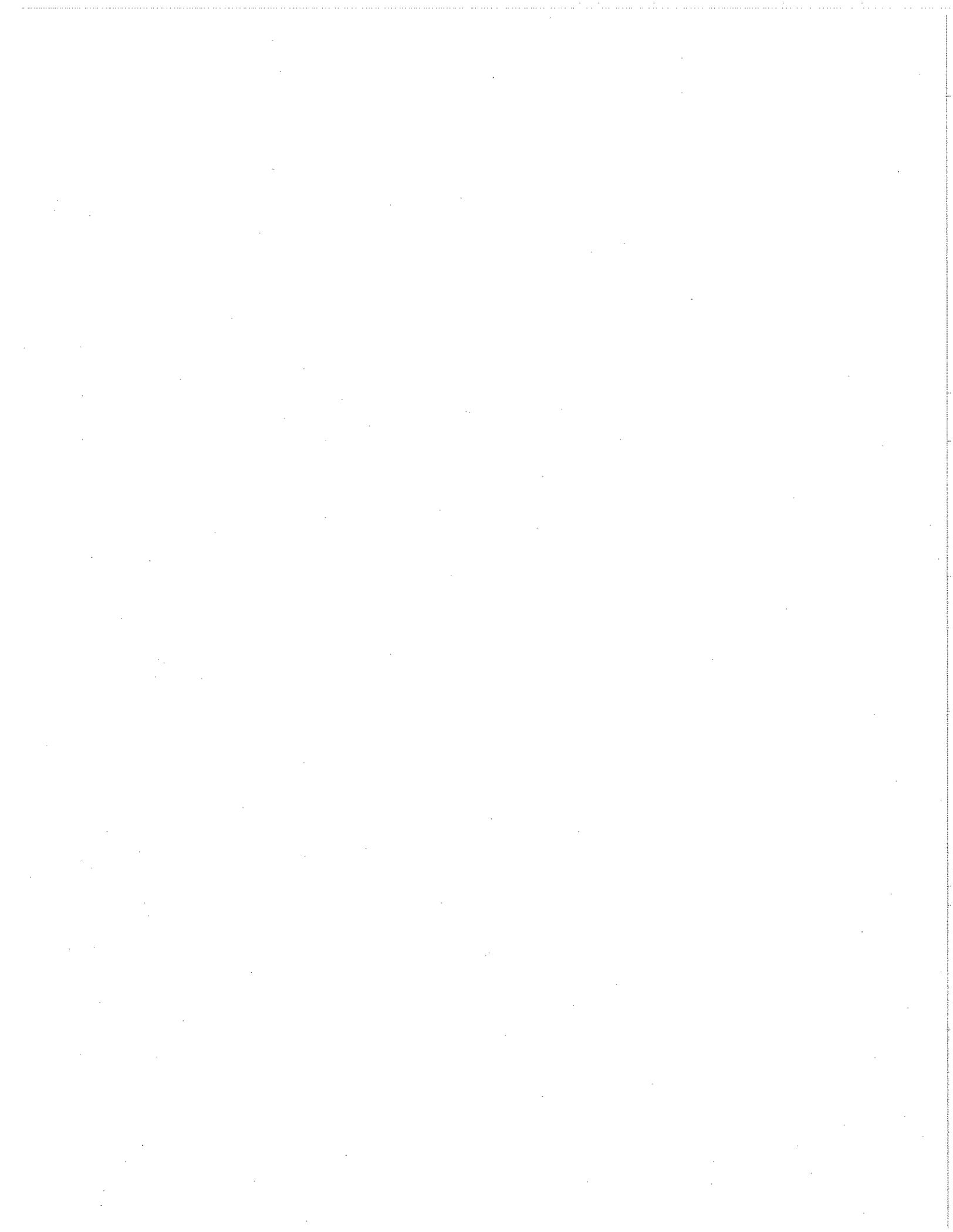
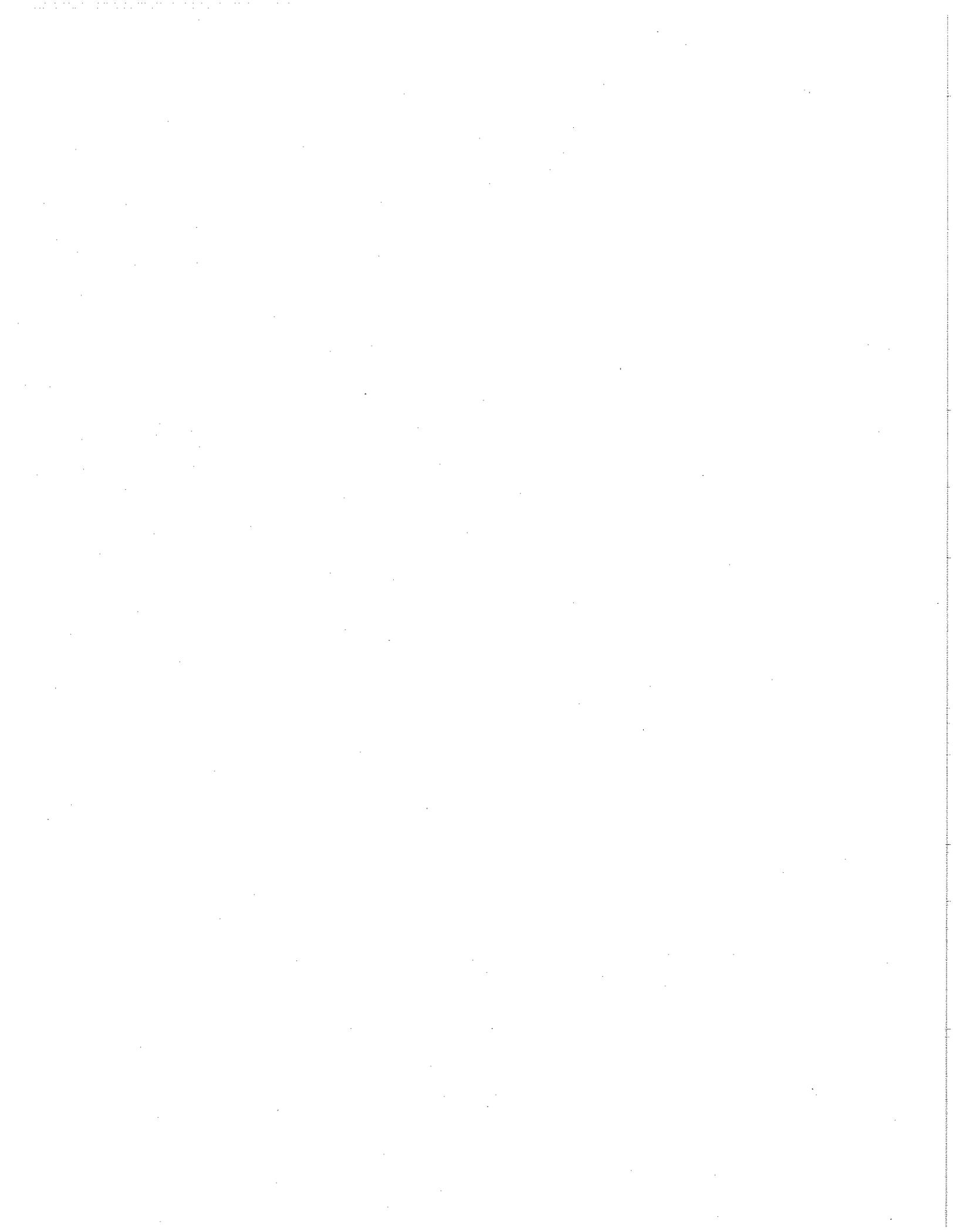


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EXECUTIVE SUMMARY

The personal service agreement (PSA) is the primary mechanism used by the state to contract for services. It describes the conditions and terms under which the state and a contractor will exchange an amount of money for specified services. PSAs are used to obtain a wide variety of services, including routine health and educational services, technical advice, training, research, and arts performances. PSAs may also be used to distribute certain grants.

In 1989, the Legislative Program Review and Investigations Committee released a study on the use of outside consultants hired by state agencies under personal service agreements. The recommendations, including establishment of a process for selecting and reporting on the use of contractors that provide professional advice or services under a contract with a defined service or end product, were incorporated into law.

In April 1992, the program review committee voted to study the use of PSAs for other types of services. The primary focus of the review was to obtain data about the number, nature, and value of existing personal service agreements as well as information about processes used to evaluate need, select contractors, and monitor contract provisions.

During state fiscal year 1992, the state entered into more than 4,000 new personal service agreements. Expenditures for those and other ongoing contracts during state FY 92 totaled more than \$345 million, including general, federal, and special funds.

The value of a personal service agreement determines how much external oversight occurs. Contracts over \$3,000 with individuals are reviewed by the Department of Administrative Services, while the attorney general's office reviews all PSAs over that amount for legal sufficiency as to form. Personal service agreements for services identified by the employing agency as "consultant" under C.G.S. Sec. 4-205 are reviewed by the Office of Policy and Management (OPM). The comptroller's office reviews the availability of funds for PSAs regardless of the purpose or dollar value of the contract.

The program review committee believes the current system of overseeing PSAs should be clarified to reduce confusion and increase external oversight as the value of the contract increases. In the short term, controls should focus on PSAs likely to cost the most money. At the same time, the existing database should be improved and standardized contract language developed for recurring types of services to allow future refinement of the oversight process.

Oversight needs to begin within the contracting agency. The earlier the need for contractual services and who can provide the services are scrutinized, the more likely it is unnecessary contracts will be avoided. Greater efforts should be made by agencies to consider internal alternatives, cooperative purchasing arrangements, and low or no cost options from external sources such as academic institutions before contracting out a service.

Almost 40 percent of the 10,160 PSAs on the comptroller's system in mid-June 1992 had a face value of \$3,000 or less. However, less than 1 percent of state FY 92 expenditures went for payments against those contracts. PSAs between \$3,001 and \$10,000 comprised 17 percent of all contracts, but only 1 percent of FY 92 payments. Less than 25 percent of the PSAs on the system had values over \$50,000, but they represented 94 percent of the FY 92 payments.

The program review committee believes a competitive selection process should be required for more types of services, and contracts costing more should be evaluated more closely. It is also imperative that the definition of services to be included within the oversight process be as straightforward as possible. To accomplish these goals, a broad range of services, including consultants as defined in C.G.S. Sec. 4-205, must be held to the same review standards. The proposed changes mean only consultant services above a specified value will come under the new mandatory pre-approval process. However, all noncompetitive contracts will require specific approval from OPM, beginning at a lower dollar amount. PSAs longer than 12 months will also be reviewed more closely.

RECOMMENDATIONS

Vendor Selection

1. **Whenever possible state agencies should use a competitive selection process for all types of services obtained through personal service agreements. In special cases, a noncompetitive or sole source process may be used, but the decision-making process should include but not be limited to a business case analysis. In all cases, the method used to select a vendor should be documented in files retained by the employing agency.**

Reporting and Review Requirements

2. **A three-tier approach shall be established to monitor all personal service agreements.¹ Contracts will be subject to additional reporting requirements and review criteria as the value of the contract increases. The categories of review will be \$10,000 and under, \$10,000 to \$50,000, and over \$50,000.**
3. **The minimum value of personal service agreements reviewed by the Department of Administrative Services Division of Personnel and the Office of the Attorney General shall be increased from \$3,000 to \$10,000. Contracting agencies should use a**

¹ Department of Transportation "consultant" contracts as defined by C.G.S. Sec. 13b-20b, Department of Public Works "design professionals" as defined by C.G.S. Sec. 4b-55, and "contractual services" as defined in C.G.S. Sec. 4a-50 are excluded from the three-tier review process because each already has statutorily established competitive requirements. However, all other personal service agreements entered into by these state agencies must go through the newly proposed review mechanism. In addition, a list of exempt PSAs should be sent to OPM quarterly as is recommended for other PSAs valued at \$10,000 or less.

competitive selection process for all personal service agreements expected to cost \$10,000 or less whenever possible. Information about the method of selecting the vendor, the name of the vendor hired, the length of the contract, the service provided, payments made, and the source of funding shall be reported to the Office of Policy and Management on a quarterly basis, 30 days after the close of each fiscal quarter.

4. All personal service agreements expected to cost between \$10,000 and \$50,000 shall use a competitive selection process. If an agency determines it cannot use a competitive process for these contracts, it must obtain approval from the Office of Policy and Management before selecting a vendor. (OPM shall adopt standards for certain exemptions from the competitive selection process, such as statutorily mandated contractors. The standards shall include but not limited to requiring business case analyses.)

For all personal service agreements in this dollar range, information about the name of the vendor, the service to be provided, the cost of the service, the proposed length of the contract, and the method of selecting the vendor shall be submitted to the Office of Policy and Management at the same time the contract is submitted to the Department of Administrative Services Bureau of Personnel, or if it does not involve an individual, to the Office of the Attorney General.

5. All personal service agreements for more than \$50,000 or for a period longer than 12 months shall be submitted to the Office of Policy and Management for approval before a Request for Proposal (RFP) can be issued or discussions held with a sole source provider. If OPM does not respond to an agency's request within 10 business days of receipt, the request is deemed to be approved.

The request for approval submitted to OPM shall include:

- a description of the service to be obtained and the need for the service;
- an estimate of the cost of the service and the length of the contract;
- an indication of whether the service is a "one time only" request or is "routine" in nature (based on definitions that OPM will develop);
- an indication of whether the service to be contracted out has been contracted out previously by the agency (within the past two years), and if so, with whom, for how long, and for how much money;

- whether any other state agency has the resources to perform the services needed;
 - the agency's expectation of whether the contract will be let competitively, and, if not, why a noncompetitive process will be necessary; and
 - whether any opportunities for regional, cooperative purchasing of the service in conjunction with the needs of other state agencies are possible.
6. All personal service agreements that are amended for an amount equal to or greater than the original value of the contract, or for an amount that increases the contract to a value exceeding \$50,000, shall be submitted to the Office of Policy and Management for approval. Any amendment to a contract that has already been amended shall also require OPM approval. If OPM does not respond to an agency's request regarding an amendment within 10 business days of receipt, the request is deemed to be approved.

Cooperative Purchasing Efforts

7. The Department of Administrative Services Bureau of Purchases, with assistance from the Office of Policy and Management, shall design a pilot program by January 1994 for the regional purchase of services (outside the human services area) by two or more state agencies that currently contract out the same service.

Standardized Contract Language

8. Master contracts (including those for grants, routine professional services, recurring client programs, and the receipt of money by the state) should be developed by the attorney general's office in conjunction with the state agencies that contract with multiple parties for the same purpose.

Personal Service Agreement Database

9. The comptroller's office should reprogram its current computer system to expand the database for personal service agreements. At a minimum, the database shall include the method used to select the contractor, the name of the contractor, whether the contractor is a current or retired state employee, the length of the contract, the services provided, total payments and payments made in the current fiscal year, and the funding source of the dollars expended. The personal service agreement (Form CO-802A) should be revised to facilitate collection of these data.

INTRODUCTION

The personal service agreement (PSA) is the primary mechanism used by the state to contract for services. Also known as Form 802A, a personal service agreement describes the conditions and terms under which the state and an individual, business, or organization will exchange an amount of money for specified services.

Detailed information about the statewide use of personal service agreements is difficult to obtain from the state's data systems. Data available on projected expenses frequently overestimate costs, and payment data accessible during the fiscal year underestimate total expenditures. Information about a specific agency can be compiled by examining individual records at that agency, but no comprehensive summary of payments, contractors, services, or products is likely to be available. As a consequence, decision-makers do not know what the state spends in total on personal service agreements during a year or how much is spent for particular categories of service.

Scope of Review

In 1989, the Legislative Program Review and Investigations Committee released a study on the use of outside consultants hired by state agencies under personal service agreements. The committee's recommendations were incorporated into C.G.S. Sections 4-205 to 4-211, which specified a process for selecting and reporting on the use of consultants¹ by executive branch agencies.

As a result of that study and other committee studies that included information about the use of PSAs by specific agencies, it appeared the greatest use of such agreements, aside from consultants, was for routine, ongoing services, such as health and education services for state clients. Since those PSAs do not receive the same degree of scrutiny as contracts employing consultants, the program review committee voted in April 1992 to study the use of personal service agreements for services that fall outside the statutory definition of a "consultant."

The primary focus of the committee's review was twofold. First, the committee wanted to obtain data about the number, nature, and value of existing personal service agreements. Second, it was interested in information about the processes used to evaluate need, select contractors, and monitor contract provisions.

Shortly after the study began, the program review committee discovered personal service agreements were used for a much wider variety of services than expected. For example, agencies use the agreements for grants to towns, payments to artists for concert performances,

¹ C.G.S. Sec. 4-205 defines a consultant as "a person, firm or corporation not employed by the state, who is hired by a state agency for a fee to provide professional advice or services to the agency under a contract that defines the services or end product to be delivered."

travel reimbursement for nonstate employees, rental of space for meetings, and janitorial and maintenance services. About 40 percent of the contracts are for routine health and educational services. All of these types of services were included in the committee's analysis.

Methodology

The state comptroller's office has the only centralized database of personal service agreements. For each personal service agreement, the system contains identifying numbers for the agency and the vendor, contract dates, the amounts agencies are authorized to pay for particular contracts, and the total dollars actually paid to the vendor.

The program review committee obtained a computer tape of the comptroller's database for personal service agreements on June 17, 1992. It contained data for 10,160 agreements. The information did not cover a complete fiscal year; contracts fully paid out earlier in the year had already been deleted from the system, while some PSAs on the system still had payments to be made. From the 10,160 PSAs, a computer generated random sample of 10 percent was selected for more detailed analysis, including a review of the paper contracts.

The committee planned to exclude PSAs for "consultant" services as defined in C.G.S. Sec. 4-205 from the study. However, many agencies are not using the code that would identify such contracts, so it was impossible to eliminate most of those contracts from the study's random sample. A total of 822 of the contracts selected for review was actually available. They comprise the random sample database referenced throughout this report.

Representatives of the agencies that are the largest users of PSAs as well as several small agencies were interviewed about agency procedures for entering into a personal service agreement. Information about contract oversight was also obtained.

Report Format

Chapter I discusses the definition of a personal service agreement and details the process currently in place to oversee the execution of such agreements. Chapter II presents the committee's recommendations. A copy of the personal service agreement form is contained in Appendix A. The complete list of agencies that use PSAs is included in Appendix B, while Appendix C lists the agencies that comprise the program review random sample.

Agency Comments

It is the policy of the Legislative Program Review and Investigations Committee to provide agencies subject to a study with an opportunity to review and comment on the recommendations prior to the publication of the final report. In the case of this review, the agencies that will be responsible for oversight and administration of the newly proposed review system were offered a chance to comment. None of the agencies chose to submit formal responses.

CHAPTER I

BACKGROUND

During state fiscal year 1992, the state entered into more than 4,000 new personal service agreements. Expenditures for those and other ongoing contracts during state FY 92 totaled more than \$345 million, including general, federal, and special funds.

Definition of Personal Service Agreement

A major key to analyzing personal service agreements is developing a clear definition of such agreements. In fact, it is difficult to explicitly describe the distinctions between personal service agreements and other types of contracts used by the state.

There is one reference to personal service agreements in statute. For purposes of C.G.S. Sec. 4a-7a, within the section referring to the Department of Administrative Services (DAS), a personal service agreement is defined as "a written agreement between the state and an individual for services rendered to the state which are infrequent or unique." (No definition of an individual is included in the statute.) The statute requires agreements to have "a term of not more than one year." However, any such agreement may be extended or renewed for unlimited terms, if the appropriate collective bargaining representative, the commissioner of administrative services, and the Labor and Public Employees Committee are notified.

A description of a personal service agreement contained in the State Accounting Manual (SAM) appears to be broader than the statute. It identifies a PSA, Form C0-802A, as the document "to be used for the commitment of funds for each approved agreement for all contracts for personal services which are not issued on a Purchase Order."² (See Appendix A for a copy of the personal service agreement form.)

Purchase orders are one of the other major contracting mechanisms used by the state. The accounting manual requires that a purchase order, Form C0-94, be used for "all outright purchases of commodities and equipment in excess of \$600.00." It states purchase orders can also be used for contracts, leasing, rental, and maintenance services for personal property.³

Under C.G.S. Sec. 4-98, except in emergencies, budgeted agencies are prohibited from incurring any obligation "by order, contract or otherwise, except by issue of a purchase order and commitment" transmitted to the commissioner of administrative services and the comptroller. C.G.S. Sec. 4a-51 designates the commissioner of administrative services as the person

² Office of the State Comptroller, State of Connecticut Accounting Manual, May 1, 1992, p. 5-5 (October 1990).

³ State of Connecticut Accounting Manual, p. 5-4 (October 1990).

responsible for purchasing or contracting for all supplies, materials, equipment, and contractual services required by executive branch agencies. Contractual services are defined in C.G.S. Sec. 4a-50 as:

any and all laundry and cleaning service, pest control service, janitorial service, security service, the rental and repair, or maintenance, of equipment, machinery and other state-owned personal property, advertising and photostating, mimeographing, data entry, data processing and other service arrangements where the services are provided by persons other than state employees.

Within DAS, the Bureau of Purchases is responsible for carrying out the tasks necessary to implement this legislation.

Exceptions to the requirement for centralized purchasing have been adopted for more than a dozen direct purchase authorities that allow state agencies to make certain purchases without prior approval from DAS. Among these authorizations are purchases under \$600, contracted facilities for conference sites, transportation of patients to and from institutions, and purchases of drugs and medicines. In addition, the State of Connecticut Purchasing Manual explicitly states professional services, personnel services, and building construction services are not under the authority of the Department of Administrative Services.⁴

Process For Entering Into A Personal Service Agreement

In a general sense, the process for entering into a personal service agreement actually begins during the budget preparation process when a state agency identifies the programs it expects to provide during the coming fiscal year. Based on the appropriation it receives, the agency determines which activities agency staff can perform and which tasks will require outside resources.

If an agency believes no one within state government can perform the needed work, the agency begins the formal process of selecting a contractor. Whenever possible, agencies are expected to use a competitive process to choose a vendor. The most common method is to issue a request for proposal (RFP) describing the services needed, obtain bids from interested vendors, evaluate the proposals, and negotiate a contract with the individual or firm selected for the job.

The amount of the personal service agreement determines how many state agencies besides the employing agency must review the contract before it is binding. Generally, contracts costing more than \$3,000 receive the most detailed review.

⁴ Department of Administrative Services Bureau of Purchases, State of Connecticut Purchasing Manual, Revised Edition November 1991, p. A-21.

If a personal service agreement of more than \$3,000 is with an individual, the Department of Administrative Services requires the hiring agency to complete a form certifying why a person outside the agency has to be hired for the particular service. When the Personnel Division of DAS receives the contract and the required certificate, its staff verify no job specifications exist for the work to be performed. Approval to contract with the individual may also be given for other reasons, for example, if the limited hours of part-time work preclude hiring someone directly for the job.

Although agencies are expected to verify whether or not a contractor is a state employee, DAS also checks the name of an individual to confirm current state employment. All personal service agreements with existing state employees must include a dual employment form. It lists the specific hours worked at the principal job and the hours to be worked under the PSA; it must be signed by representatives of both the principal employing agency and the contracting agency.

Contracts with individuals are statutorily restricted to one year (C.G.S. Sec. 4a-7a), although they may be extended if certain parties are notified. When the program review committee study began, it was unclear whether any agency consistently checked PSAs for compliance with this requirement. In September 1992, DAS internal procedures were changed, clarifying that the length of a PSA should be reviewed.

The attorney general's office reviews all personal service agreements exceeding \$3,000 for legal sufficiency as to form. In this review, the language of the contract is checked for: inclusion of nondiscrimination and affirmative action provisions, compliance with certain executive orders, statutory authorization for the contracting agency to enter into the particular agreement, and whether the names of signators are legible and signatures are dated.

If a PSA is with a corporation, the corporate seal and authority must be included, and if it is with an individual, written approval from DAS must be attached. Amendments to contracts must be accompanied by a copy of the original contract. (Contracts that have expired cannot be amended.)

A contract may be sent back to an agency by the attorney general's office for corrections. On occasion, the attorney assigned to an agency may ask questions about the substance of a personal service agreement, but the agency is not required to change that aspect of the contract.

Only personal service agreements for services identified by the contracting agency as "consultant" under C.G.S. Sec. 4-205 are reviewed by the Office of Policy and Management (OPM). Approval must be obtained from OPM even before an RFP for services is issued.

The last agency to review a personal service agreement is the comptroller's office. Staff manually check the contract to ensure the required sections of the form are filled in, referenced attachments are included, terms and conditions are attached, and required signatures are on the contract. PSAs with state employees must include a dual employment form.

Information from various sections of the form is entered into the computer and matched against funding appropriations. If the agency used improper codes or does not have sufficient money in the referenced account to cover the contract, the system will reject the entry. Staff from the comptroller's office then works with the contracting agency to clarify the numbers in order to establish a "commitment" to pay for the contract.

Contracts must be submitted to the comptroller's office for a commitment of funds at least five working days before a request for payment can be processed against the contract. When an invoice is submitted against a particular PSA, the bill is checked against the terms of the contract on file in the comptroller's office. (All amendments to contracts must also be filed with the comptroller.) If the codes or dollar amounts do not match, the computer system will reject the claim, and payment will be suspended. The contracting agency will be notified and must clean up the paperwork before any payments can be processed.

Figure I-1 depicts the general process currently used by state agencies to enter into personal service agreements. Contracts over \$3,000 require one or two additional steps, depending on whether the contractor is an individual.

The Nature of Personal Service Agreements

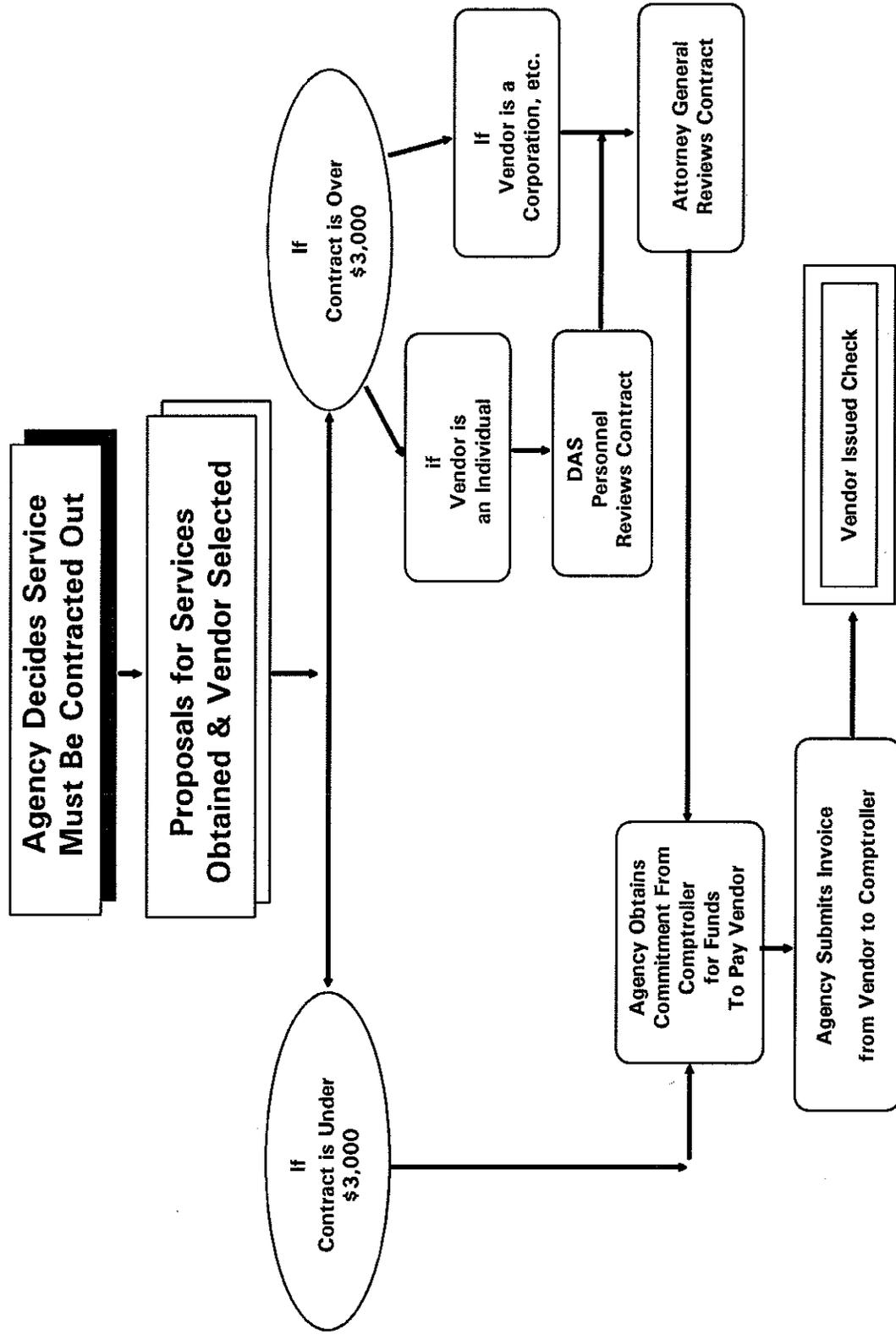
Since personal service agreements are not well-defined by statute or the State Accounting Manual, the program review committee believed the best picture of such agreements could be obtained by analyzing existing contracts. Among the particular aspects examined in detail were the types of services used, the process agencies employ to enter into PSAs, and the amounts and categories of funds expended for such contracts. The information used for this analysis was based on the 10,160 records obtained from the state comptroller on June 17, 1992, and a more detailed review of 822 of the PSAs by committee staff.

More than one-third of the 10,160 personal service agreements in the comptroller's database were one year in length; 80 percent were for 12 months or less. Table I-1 gives a detailed breakdown of the contract lengths, ranging from less than one month to more than eight years.

Payments for personal service agreements in state FY 92 totaled at least \$345 million.⁵ Of the 10,160 contracts in the database, only 5,263 had payments made against them in FY 92. The median contract payment was \$2,550; 75 percent of all contracts had state FY 92 payments of less than \$13,150.

⁵ As noted, the database does not represent all expenditures made for personal service agreements during state FY 92. Many of the contracts that were paid in full early in state FY 92 would have been removed from the system by the time the program review committee received the computer tape. Payments made between June 17, the day the data were obtained, and the end of the fiscal year also would not be part of the \$345 million.

Figure I-1. Personal Service Agreement Approval Process*



* excluding consultants as defined in C.G.S. Sec. 4-205

The amount of money spent on specific contracts varies widely, from less than \$100 to as much as \$70 million. Table I-2 shows the distribution of contracts within expenditure categories. Over 60 percent of the payments were for \$5,000 or less, one-quarter ranged between \$5,001 and \$50,000, and only 11 percent of the contractors were paid in excess of \$50,000.

TABLE I-1. Personal Service Agreement Contract Length (N=9,127).		
Length of Contract	No. of Contracts	% of Total
< 1 month	617	6.8%
1-6 months	1,773	19.4%
6-11 months	1,418	15.5%
one year	3,440	37.7%
13-24 months	354	3.9%
2-4 years	1,099	12.0%
4-8 years	145	1.6%
> 8 years	281	3.1%
Source: Office of the State Comptroller (PSA database from June 17, 1992).		

TABLE I-2. Expenditure Intervals for Personal Service Agreements With FY 92 Payments (N=5,263).		
Expenditure Interval	No. of Contracts	% of Total
< \$100	342	6.5%
\$100-\$1,000	1,507	28.6%
\$1,001-\$5,000	1,410	26.8%
\$5,001-\$10,000	532	10.1%
\$10,001-\$50,000	893	17.0%
\$50,001-\$100,000	188	3.6%
\$100,001-\$500,000	289	5.5%
\$500,001-\$1Million	54	1.0%
> \$1 Million	48	0.9%
Source: Office of the State Comptroller.		

Most state agencies had at least one personal service agreement listed in the comptroller's database. The Department of Transportation, with its many construction projects, expends the most money on PSAs. The largest user of PSAs in terms of numbers is the community-technical college system. All schools combined had 1,719 contracts on the system in mid-June, nearly 17 percent of all contracts. They had spent \$1,838,297 during state FY 92 for these PSAs and a total of \$4 million over the length of the contracts.

Table I-3 lists the 20 state agencies that expended the most dollars through personal service agreements, based on figures for state FY 92. (An agency may have multiple agency codes to differentiate programs, regions, or institutions. For purposes of this table, those codes have been combined.) The table also includes information about the number of contracts written and the dollars spent by these agencies for all of their contracts on the comptroller's system in

mid-June 1992. (See Appendix B for comparable information for all of the agencies in the comptroller's PSA database.)

TABLE I-3. Top 20 Agencies for Personal Service Agreement Expenditures, Based on State FY 92 Data (through June 17, 1992).				
AGENCY	FY92 Expenditures (through mid-June) for agency PSAs on the system	Total Expenditures for agency PSAs on system	No. of PSAs	Percent of all PSAs (N=10,160)
Transportation	\$72,367,122	\$361,280,536	592	5.8%
Administrative Services	\$71,704,959	\$289,089,572	38	0.4%
Aging	\$36,856,238	\$141,767,058	92	0.9%
Treasurer	\$20,104,825	\$79,363,522	77	0.8%
Special Revenue	\$17,706,065	\$54,761,336	29	0.3%
Motor Vehicles	\$16,264,693	\$65,747,745	16	0.2%
Correction	\$14,785,710	\$17,894,343	443	4.4%
Mental Health	\$12,885,243	\$76,753,515	987	9.7%
State University	\$9,514,843	\$27,655,699	666	6.6%
DCYS	\$8,744,733	\$13,374,331	332	3.3%
UConn Health Center	\$7,417,332	\$27,202,080	792	7.8%
Education	\$6,972,159	\$17,139,360	227	2.2%
Health Services	\$6,486,166	\$10,786,609	137	1.4%
Income Maintenance	\$6,079,825	\$11,613,189	62	0.6%
Environmental Protection	\$5,961,435	\$20,618,582	447	4.4%
Human Resources	\$4,717,293	\$16,181,369	724	7.1%
Mental Retardation	\$4,100,882	\$14,124,936	955	9.4%
UConn	\$3,843,555	\$8,504,514	245	2.4%
Workers Comp Comm	\$2,960,458	\$13,368,717	222	2.2%
Public Works	\$2,713,567	\$9,145,161	134	1.3%
Source: Office of the State Comptroller.				

Detailed Sample Review

The program review committee collected more detailed information for the 822 personal service agreements that comprised the random sample. The data gathered included:

- the name and address of the vendor;
- whether the vendor was an individual, corporation, governmental agency, etc.;
- if an individual, whether the vendor was a state employee;
- the type of service to be provided and the end product to be delivered;
- the frequency with which the service was to be provided;
- the funding codes against which the contract was charged;
- the dates the contractor, the agency, and the attorney general signed the PSA;
- whether a DAS certificate of approval was attached; and
- the types of amendments (cost, date, other), if any.

Information available for all of the PSAs in the database was also examined for the random sample contracts. This included:

- the code number for the agency entering into the contract;
- the start and end dates of the contract;
- the maximum state obligation over the length of the contract;
- the amount of money the agency received a commitment to spend on the contract as well as the amount of those funds currently unspent;
- expenditures for state FY 92, FY 91, and a combined figure for all previous state fiscal years when payments were made against the contract;
- total expenditures for the contract; and
- contract length.

Appendix C lists the agencies and the number of contracts for each that are included in the random sample database.

A code on each PSA broadly describes the services to be provided. To acquire more information about the specific services provided by vendors, committee staff read the service description included on each contract in the random sample. A more detailed list of service types was developed, and each PSA was assigned to one of the new categories.

Table I-4 lists the categories and the number of contracts coded into each category. Infrequent services were placed in an "other" category. It includes rentals, equipment/supplies, insurance, grant administration, cable television service, and mailing services.

TABLE I-4. Types of Services Obtained Through Personal Service Agreements, Based on Program Review Committee Random Sample (N=822).		
Description of Service	No. Contracts	% Contracts
Routine health services to clients of the state	196	24%
Routine education services to clients of the state	107	13%
Research/studies/audits/program evaluations	87	11%
Mgt., legal, financial advice/assistance on particular issue	84	10%
Training/testing	83	10%
Architectural, engineering, design services	46	6%
Supervision and/or care of clients	25	3%
Space rental/food/travel/transportation	22	3%
Communications/public relations/adv./mailing services	19	2%
Preparation of plans, reports, manuals	17	2%
Housing, human, social services	16	2%
Arts performances	11	1%
Religious services on an ongoing basis	10	1%
Data processing advice/assistance	8	1%
Recreation	8	1%
Building management/janitorial/maintenance	8	1%
Harbormaster	7	1%
Other (5 or fewer observations)	53	6%
Information unavailable	17	2%

The end products delivered under the contracts in the random sample are summarized in Table I-5. These categories were developed by program review committee staff to complement the service categories. Included in the "other" category are items such as trees and photographs, the repair of art work, cable service, rental equipment, routine legal services, and insurance.

TABLE I-5. End Products Obtained Through Personal Service Agreements, Based on Program Review Committee Random Sample (N=822).		
END PRODUCT	Number of Contracts	Percent of Contracts
Health services	202	25%
Technical advice/assistance	138	17%
Educational services	110	13%
Report/plan/audit/evaluation/research/speech/video	88	11%
Training	75	9%
Architectural/engineering/design services	34	4%
Client services	27	3%
Meeting space/lodging/food/transportation	21	3%
Arts performances	11	1%
Religious services	10	1%
Housing, human, social services	10	1%
Office-related services	9	1%
Recreational services	8	1%
Harbor supervision	8	1%
Maintenance/repair/janitorial services	7	1%
Other (4 or fewer observations)	38	5%
Unavailable/unspecified/unclear	26	3%

Personal service agreements range in length from a single day to 10 or more years. During the time period, a service may be provided only once, it may recur on some type of regular basis, or the exact amount of time may be unspecified on the contract face sheet. Table I-6 presents information about the frequency with which services were to be provided under the agreements included in the random sample.

Table I-7 summarizes the lengths of the contracts in the random sample. (The original length of a contract can be increased or decreased by an amendment. Since fewer than 20 percent of the cases in the sample were changed in this way, the table does not separate out amended and unamended contracts.) In some instances, the state enters into an open-ended agreement with a vendor. Those contracts end upon the completion of specified work rather than on a particular date. The total length of those contracts cannot be calculated until they are completed.

TABLE I-6. Frequency of Service for PSAs in Random Sample (N=794).		
Frequency	Number	Percent
One time only	117	14.7%
Daily	31	3.9%
Weekly	58	7.3%
Monthly	11	1.4%
Qrtly/annual	2	0.3%
Varies	133	16.8%
Unspecified	442	55.7%

TABLE I-7. Lengths of Personal Service Agreements in Random Sample (N=750).		
Length	Number	Percent
< 1 month	55	7.3%
1-6 months	132	17.6%
6-11 months	84	11.2%
one year	307	40.9%
13-24 months	41	5.5%
2-4 years	90	12.0%
> 4 years	41	5.5%

Based on the names listed as the contractors on the face sheets of the contracts, the program review committee found half of the contracts in the sample were with individuals. Nearly 40 percent were with corporations, partnerships, or organizations, while 5 percent were with federal, state, or local agencies, and 2 percent were with higher education institutions. Seven percent (55) of the agreements in the sample were with existing state employees.

The services provided by individuals followed the total sample closely: 40 percent were providing routine health and educational services; 14 percent, advice and assistance; 11 percent, training; and 9 percent were performing research, studies, or program evaluations. Two-thirds worked varied or unspecified hours, while 19 percent were used on a one-time only basis.

Projected and actual expenditures. One of the most important fiscal elements of a personal service agreement is the description of fees to be paid for services rendered. This information is contained on the comptroller's computer system as the "*obligation*." The value listed is the maximum amount of money the state is liable for over the length of the contract (both current and future fiscal years), if all services are provided to the fullest extent agreed upon. This value may not be available for certain complex or long-term contracts. A special code is entered on the comptroller's system for those contracts.

The amount of money an agency expects to pay out on a contract must be deducted from the agency's overall allocation and held in reserve until bills are submitted for payment. This money is included on the comptroller's system as the "commitment" or encumbrance. This budgetary account represents the estimated cost of the contract. This figure can be increased if an agency submits a request to allocate additional funds. It is a cumulative total that may cover multiple fiscal years. The "commitment" can be smaller than the "obligation."

The amount of money actually paid out on a contract is listed on the comptroller's system according to the fiscal year in which the funds were expended. A category called "liquidation balance" represents the total amount paid out over all fiscal years.

Table I-8 presents information about the range of obligations and commitments for the personal service agreements included in the random sample. Similar data for the 10,160 PSAs in the full database are contained in Chapter II.

TABLE I-8. Range of Obligations, Commitments, and Total Payments for Personal Service Agreements in Random Sample (N=822).						
Range of Values in Dollars	Number of Contracts At This Level of Obligation	% of Total	Number of Contracts At This Level of Commitment	% of Total	Number of Contracts At This Level of Payment	% of Total
\$3,000 or less	300	36.5%	371	45.2%	412	50.1%
\$3,001-10,000	125	15.2%	154	18.7%	147	17.9%
\$10,001-50,000	225	27.4%	170	20.7%	152	18.5%
\$50,001 - 100,000	43	5.2%	46	5.6%	40	4.9%
\$100,001 - 500,000	52	6.3%	50	6.1%	45	5.5%
\$500,001 - 1,000,000	13	1.6%	11	1.3%	8	1.0%
Over \$1Million	9	1.1%	20	2.4%	18	2.2%
Open-ended	54	6.7%	0		0	

Source: Office of the State Comptroller.

CHAPTER II

FINDINGS AND RECOMMENDATIONS

The possibility an individual or firm might be given a contract to perform nonessential work for a state agency is a concern in any decentralized management system. To reduce the likelihood of such an occurrence, checks and balances need to be part of the contract approval process. However, oversight should not be so stringent it prevents an agency from obtaining the services it needs.

The focus of the current system of monitoring personal service agreements in Connecticut is narrow. Elements concerning the contractor and the written agreement executing the contract are reviewed. With limited exceptions, no detailed external analysis of the need for services or the appropriateness of the particular contractor occurs.

The Legislative Program Review and Investigations Committee's analysis of personal service agreements produced a detailed profile of the services rendered and dollars spent on such contracts during a limited period. That information and the findings from an examination of the existing PSA review process are the basis for recommending a revamped approach toward oversight of personal service agreements.

The program review committee believes the current system of overseeing personal service agreements should be clarified to reduce confusion and focus scrutiny on the PSAs that result in most of the expenditures. The committee recommends a process that increases external oversight as the value of the contract increases. In the short term, controls should focus increased attention on the contracts most likely to cost the state the most money. At the same time, the existing database should be improved and standardized contract language developed for recurring types of services to allow future refinement of the oversight process.

Vendor Selection

In most agencies, the personal service agreement is viewed merely as the piece of paper the state bureaucracy requires to bring about an idea or need that has developed within a program area. Use of the document may trigger frustration at the thought of the steps that have to be followed to get the contract approved, but the PSA does not necessarily generate internal scrutiny of the availability of alternative mechanisms to accomplish the purpose of the contract.

The program review committee believes oversight of personal service agreements needs to begin within the contracting agency. The earlier in the process that the need for contractual services and who can provide the services are scrutinized, the more likely it is that unnecessary contracts will be avoided.

Based on interviews with frequent users of PSAs, few agencies have written procedures for internally assessing the need for outside contractors. Certain services that fall within statutorily defined categories may require a written justification. Many agencies do require individuals at different levels within the organization to approve a contract. However, the review generally focuses on the availability of funds. The cost of a service may be scrutinized, but questions about whether the proposed contract is the overall best use of the funds are rare.

Sometimes agencies enter into contracts for a service they do not use. No payments had been made for 15 percent of the PSAs on the comptroller's system in mid-June 1992. Nearly 40 percent of those 1,533 PSAs had obligations over \$3,000, meaning a review by the attorney general's office, and, in cases involving individuals, a review by the DAS Bureau of Personnel, had been required.

Such actions have costs. At a minimum, there is an expense for the time of the state employees who move the PSA through the system. There is also the less tangible cost of placing the state in the position of an unnecessary obligation that could affect spending projections.

The committee believes agencies should make greater efforts to consider internal alternatives, cooperative purchasing arrangements, and low or no cost options from external sources such as academic institutions before contracting out a service. All services do not warrant the same level of assessment, but no service should be routinely contracted out merely because that is the only way an agency has obtained the service in the past.

When services must be contracted out, the program review committee believes competitive methods of selecting the vendor should be used whenever possible. A competitive process does not mean an agency has to write a detailed proposal or advertise every contract. It does mean an agency should obtain information about alternative vendors and costs before making a final selection.

For example, the DAS Bureau of Purchases solicits competitive bids for commodities and certain contractual services in different ways, depending on the cost of the item being procured. For items up to about \$4,000, depending on the particular commodity group, oral or written quotes are obtained from three or more vendors. For items up to \$10,000, DAS uses an "open market bid" process, under which sealed bids are received in response to bid proposals mailed to selected vendors previously determined qualified to supply the commodity. Finally, for items costing more than \$10,000, vendors submit sealed bids in response to advertisements placed in three state newspapers.

The Legislative Program Review and Investigations Committee recommends that whenever possible state agencies use a competitive selection process for all types of services obtained through personal service agreements. In special cases, a noncompetitive or sole source process may be used, but the decision-making process should include but not be limited to a business case analysis. In all cases, the method used to select a vendor should be documented in files retained by the employing agency.

A brief summary of the steps taken by an agency prior to contracting out a service as well as a description of the process used to select the vendor should be retained on file at the agency with any paperwork related to the personal service agreement. When a contracting agency performs a business case analysis, it will examine the contract in terms of the objective to be achieved and the benefits and costs of achieving the objective in a particular manner. By defining the issue in this way, the agency will be able to compare options and determine the best method for obtaining the required service.

The focus of this recommendation is to ensure agencies assess various options and consider the cost of contracting out for services. The program review committee wants to emphasize that various levels of competition exist. For different types of situations, different methods will be appropriate. For example, an agency might not obtain new information for personal service agreements that involve services acquired frequently every time a contract for that service is entered into. In such cases, the agency would likely check periodically on the cost of the service in the marketplace, perhaps obtaining specific price quotes annually.

Likewise, there may be instances where the contracting agency will determine a noncompetitive process is justified. This situation might occur most commonly when the state is serving as an intermediary to transfer funds from the federal government to towns or nonprofit organizations.

A sole source contract may also be appropriate in situations where the nature of the services to be provided are so unique only one vendor can perform the service. For example, only one physician might be qualified to provide training in a new, specialized surgical technique. Likewise, there might be special cases where a business with a proprietary idea approaches the state to facilitate implementation of a policy objective. Although it might seem that other businesses could perform the work, the details of the particular idea make it impossible to solicit bids without revealing proprietary information.

Finally, an agency might face an emergency situation, such as a state institution with around-the-clock staffing requirements. In such a case, services that would normally go through an RFP process might have to be obtained noncompetitively in the short run in order to meet state and federal licensing standards.

Reporting and Review Requirements

No bidding or reporting requirements currently exist for most personal service agreements. Only services that fall within the definition of "consultant" as described in several sections of the statutes must follow specific selection procedures.

The Office of Policy and Management has developed a model RFP process for agencies to use when hiring "consultants" under C.G.S. Sec. 4-205. It tries to assure all contracts for consultant services are awarded on the basis of an open, competitive process. The only exceptions should be instances where fewer than three vendors respond to an RFP. However,

there is one major problem with this system. Considerable confusion exists about what services fall under the definition of "consultant." As a consequence, agencies may not be applying the definition as often as they should.

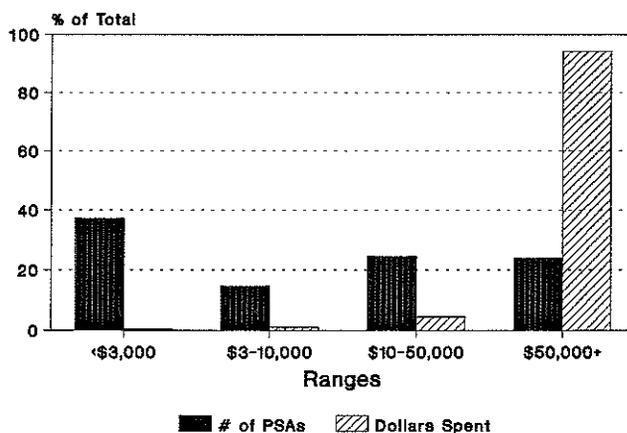
The program review committee also found state agencies use the RFP mechanism, but do not always obtain pre-approval of a specific service from OPM. In addition, very few agencies are using the accounting code established to identify consultant services. Although OPM publishes semi-annual reports that list consultant contracts about which it receives information, no one knows exactly how many PSAs for consulting services there have been since the law went into effect in 1990.

The 1989 program review committee study recommending greater controls over the use of consultants was based on a belief that the selection of vendors for unique, nonrecurring services would be enhanced by requiring competitive procurement efforts. (Certain categories of related services were exempted from the new process because other statutes already governed their selection.) It was also expected that most personal service agreements for nonroutine services would be covered through this new legislation. In fact, as the data developed for the current study indicate, many other types of services are obtained through PSAs.

Oversight of nonconsultant PSAs is triggered by the total value of the contract (i.e., its "obligation"). The current threshold, set in 1984, is \$3,000.⁶ All contracts over this amount are reviewed by the attorney general's office, and, if an individual is being hired, by the DAS Bureau of Personnel.

Figure II-1 presents a comparison of the number of personal service agreements in specified value ranges with the state FY 92 payments made for those PSAs. Almost 40 percent of the 10,160 agreements on the comptroller's system on June 17, 1992, had a face value of \$3,000 or less. However, less than 1 percent (approximately \$1.5 million) of the \$345 million in state FY 92 expenditures for the PSAs on the system were payments for contracts in that dollar range. Contracts between \$3,001 and \$10,000 represented 17 percent of all PSAs on the system, but only 1 percent of state FY 92 payments. Alternatively, personal

Figure II-1. Comparison of Number of PSAs With FY 92 Payments Made



⁶ Since 1984, inflation has been approximately 35 percent. A corresponding value today for the \$3,000 minimum would be approximately \$4,050.

service agreements with obligations over \$50,000 comprised less than one-quarter of all of the contracts on the system, but 94 percent of the state FY 92 expenditures.

Table II-1 summarizes expenditure data for all personal service agreements on the comptroller's system in mid-June 1992 in terms of total and state FY 92 expenditures. Table II-2 presents related information for contracts with individuals that were part of the committee's random sample.

TABLE II-1. Expenditure Data for Personal Service Agreements Included on Comptroller's System on June 17, 1992.				
Range of "Obligation" (face value) of contract	No. and % of PSAs on comptroller's system*	Total expenditures and % for contracts in range	No. and % of PSAs with FY 92 expenditures	FY 92 Expenditures and % for contracts in range
\$3,000 or less	4,001 (39.4%)	\$2.8 million (0.2%)	1,954 (37.1%)	\$1.5 million (0.4%)
\$3,001-10,000	1,698 (16.7%)	\$6.3 million (0.5%)	763 (14.5%)	\$3.4 million (1.0%)
\$10,001-50,000	2,493 (24.5%)	\$33.6 million (2.5%)	1,293 (24.6%)	\$15.6 million (4.5%)
over \$50,000	1,968 (19.4%)	\$1,283.8 million (96.8%)	1,253 (23.8%)	\$325.2 million (94.1%)
TOTAL	10,160	\$1,326.5 million	5,263	\$345.7 million
* The database included 779 contracts with indeterminate obligations, due to the nature of the contract or its length. Based on an analysis of the distribution of indeterminate contracts in the random sample, the 779 contracts and the expenditures for them were allocated to specific obligation groups.				

TABLE II-2. Fiscal Data for Random Sample Personal Service Agreements with Individuals (N=447).			
Dollar Range	Number (%) with Obligations	Number (%) with Commitments	Number (%) with Total Payments
\$3,000 or less	221 (49.4%)	264 (59.1%)	287 (64.2%)
\$3,001-10,000	77 (17.2%)	94 (21.0%)	80 (17.9%)
\$10,001-50,000	124 (27.7%)	76 (17.0%)	69 (15.4%)
over \$50,000	25 (5.6%)	13 (2.9%)	11 (2.5%)

The program review committee believes a competitive selection process should be required for more types of services, and contracts costing more should be evaluated more closely. It is also imperative that the definition of services to be included within the oversight process be as straightforward as possible. To accomplish these goals, a broad range of services, including consultants as defined in C.G.S. Sec. 4-205, must be held to the same review standards. The proposed changes mean only consultant services above a specified value will come under the new mandatory pre-approval process. However, all noncompetitive contracts will require specific approval from OPM, beginning at a lower dollar amount.

The Legislative Program Review and Investigations Committee recommends that a three-tier approach be established to monitor all personal service agreements.⁷ Contracts will be subject to additional reporting requirements and review criteria as the value of the contract increases. The categories of review will be \$10,000 and under, \$10,000 to \$50,000, and over \$50,000.

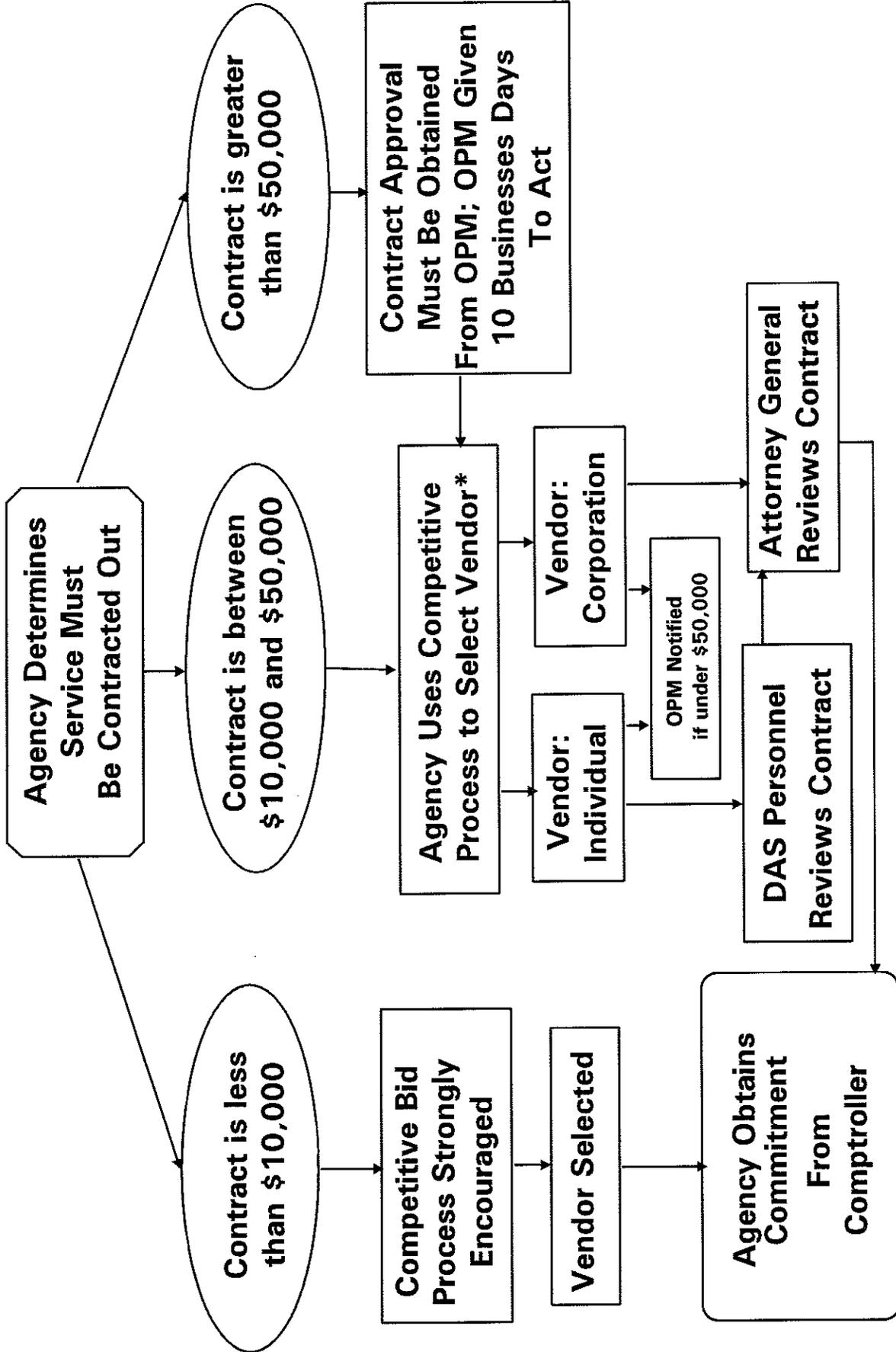
The specific requirements for each level of review are detailed in three separate recommendations. Figure II-2 summarizes the major elements of the new system. Also changed under the new system is the review of personal service agreements that are for a period longer than 12 months. These contracts will be reviewed in the same manner as those with a value of more than \$50,000.

PSAS valued at \$10,000 and under. As noted earlier, nearly 40 percent of all personal service agreements have a value of \$3,000 or less, while contracts between \$3,001 and \$10,000 constitute 17 percent of the contracts. However, spending for PSAs in these ranges totaled only 1.5 percent of state FY 92 expenditures (\$345.7 million) for PSAs on the system in mid-June. Based on these data, it is the intention of the committee that agencies be allowed considerable discretion in awarding personal service agreements valued up to \$10,000.

The Legislative Program Review and Investigations Committee recommends the minimum value of personal service agreements reviewed by the Department of Administrative Services Division of Personnel and the Office of the Attorney General be increased from \$3,000 to \$10,000. Contracting agencies should use a competitive selection process for all personal service agreements expected to cost \$10,000 or less whenever possible. Information about the method of selecting the vendor, the name of the vendor hired, the length of the contract, the service provided, payments made, and the source of funding shall be reported to the Office of Policy and Management on a quarterly basis, 30 days after the close of each fiscal quarter.

⁷ Department of Transportation "consultant" contracts as defined by C.G.S. Sec. 13b-20b, Department of Public Works "design professionals" as defined by C.G.S. Sec. 4b-55, and "contractual services" as defined in C.G.S. Sec. 4a-50 are excluded from the three-tier review process because each already has statutorily established competitive requirements. However, all other personal service agreements entered into by these state agencies must go through the newly proposed review mechanism. In addition, a list of exempt PSAs should be sent to OPM quarterly as is recommended for other PSAs valued at \$10,000 or less.

Figure II-2. Proposed Three-tier PSA Review Process



* OPM will adopt RFP standards and certain exemptions; non-competitive contracts must be OPM pre-approved.

Although agencies will not need approval from any outside entity to enter into contracts in this category, they will be required to prepare a new report. The report will have two purposes. First, it can be used as a monitoring device by the Office of Policy and Management. OPM will be able to request additional information about and/or intervene in the awarding of future contracts by an agency, if there is any concern about a particular contract or a pattern of contracts. Second, the report can be used with data from the other two tiers of the newly proposed system, to make OPM a central repository for data about all personal service agreements being entered into by the state. These reports will be public information.

Eventually, it is expected an electronic database will be developed within the state comptroller's system. That system should be able to produce detailed reports on a regular basis containing most of the information proposed in this agency report. (The details of the revised PSA database are described in a later recommendation.)

PSAs valued between \$10,000 and \$50,000. Contracts valued between \$10,000 and \$50,000 represent about one-quarter of all personal service agreements active at any given time. In state FY 92, spending on contracts in this "obligation" range totaled approximately \$16 million or slightly less than 5 percent of the expenditures. The program review committee believes the amount of payments each vendor can receive in this dollar range of contracts combined with the total dollars expended warrants at least the minimum oversight now required for contracts over \$3,000. In addition, the proposed notification requirement prior to final approval of the contract allows OPM to intervene if it has concerns about the services or vendor.

The Legislative Program Review and Investigations Committee recommends all personal service agreements expected to cost between \$10,000 and \$50,000 use a competitive selection process. If an agency determines it cannot use a competitive process for these contracts, it must obtain approval from the Office of Policy and Management before selecting a vendor. (OPM shall adopt standards for certain exemptions from the competitive selection process, such as statutorily mandated contractors. The standards shall include but not be limited to requiring business case analyses.)

For all personal service agreements in this dollar range, information about the name of the vendor, the service to be provided, the cost of the service, the proposed length of the contract, and the method of selecting the vendor shall be submitted to the Office of Policy and Management at the same time the contract is submitted to the Department of Administrative Services Bureau of Personnel, or if it does not involve an individual, to the Office of the Attorney General.

The information about personal service agreements that must be submitted to OPM could simply be a copy of the PSA form. OPM could request additional information or ask the agency to delay the final awarding of a contract, if it has concerns about a particular contract or a pattern of contracts. However, OPM would not be required to take any action on these contracts. In the case of noncompetitive requests, it is expected that the same standards and processes used for the "over \$50,000" tier would apply.

This reporting requirement allows OPM to monitor medium-size contracts in greater detail, while still allowing a decentralized approach to decision-making by individual agencies. A model RFP process, such as the one outlined by OPM in General Letter No. 93-1 dated October 5, 1992, could be used by agencies selecting vendors for PSAs in this review tier.

PSAs valued at over \$50,000. As noted in Table II-1, although less than 20 percent of all PSAs have face values greater than \$50,000, expenditures for those contracts comprised more than 94 percent of all spending. The program review committee believes it is essential that closer scrutiny be given to these contracts. In state FY 92, more than \$325 million was spent for personal service agreements in this range.

The recommendation to review these contracts more closely is not meant to imply improper spending has occurred. Rather, the problem is that it is extremely difficult to know in any detail how and what has been spent for contractual services. Given the level of money spent in this range, the state needs to know more about these contracts.

The information agencies must provide under this review tier builds upon current requirements established by OPM for "consultant" contracts. An automatic approval provision triggered after 10 business days ensures agencies are not delayed for long periods of time for services that will ultimately be approved. If a large number of PSA pre-approval requests are received by OPM at the same time, OPM will have to prioritize the requests and determine which require scrutiny.

In developing the form for tracking requests, OPM should consider including the name of the staff member responsible for reviewing the request. In cases where a request is approved after 10 days by default, the individual within OPM responsible for that decision will be identifiable if questions arise in the future about the contract.

The Legislative Program Review and Investigations Committee recommends all personal service agreements for more than \$50,000 or for a period longer than 12 months be submitted to the Office of Policy and Management for approval before an RFP can be issued or discussions held with a sole source provider. If OPM does not respond to an agency's request within 10 business days of receipt, the request is deemed to be approved.

The request for approval submitted to OPM shall include:

- a description of the service to be obtained and the need for the service;
- an estimate of the cost of the service and the length of the contract;

- **an indication of whether the service is a "one time only" request or is "routine" in nature (based on definitions that OPM will develop);**
- **an indication of whether the service to be contracted out has been contracted out previously by the agency (within the past two years), and if so, with whom, for how long, and for how much money;**
- **whether any other state agency has the resources to perform the services needed;**
- **the agency's expectation of whether the contract will be let competitively, and, if not, why a noncompetitive process will be necessary; and**
- **whether any opportunities for regional, cooperative purchasing of the service in conjunction with the needs of other state agencies are possible.**

Once a contract request is approved, an agency can start the process of selecting a vendor. Generally, an RFP process similar to the model currently outlined by OPM in its General Letter No. 93-1 should be used by agencies for PSAs in this dollar range.

As indicated in an earlier section of this report, the array of services handled through personal service agreements is diverse. For example, a number of agencies use PSAs to distribute grant funds; many of those PSAs will fall within this newly proposed review tier. Another recommendation outlined below recognizes the need to develop more uniform contract language that can be used for recurring services, such as the distribution of grants. Implementation of that change, in conjunction with this recommendation, should mean the new pre-approval requirement will not add greatly to the time needed to process a contract.

The program review committee believes elements of this third tier of the review process should also apply to certain types of amendments. This recommendation is based on the standards OPM uses now for consultant contracts.

The Legislative Program Review and Investigations Committee recommends all personal service agreements that are amended for an amount equal to or greater than the original value of the contract, or for an amount that increases the contract to a value exceeding \$50,000, shall be submitted to the Office of Policy and Management for approval. Any amendment to a contract that has already been amended shall also require OPM approval. If OPM does not respond to an agency's request regarding an amendment within 10 business days of receipt, the request is deemed to be approved.

In all cases where OPM must approve the use of a personal service agreement, the response from OPM should specifically affirm or deny the request. OPM should not ask for additional information merely to prevent the automatic approval of the request after 10 business days. If an agency has not provided all the information required by the statutes and standards, the application is incomplete and the 10-day period has not begun. On the other hand, if the agency fails to provide sufficient justification for a request, then OPM should deny the application until such time as the agency demonstrates its need for the PSA.

Cooperative Purchasing Efforts

In recent years, the DAS Bureau of Purchases increased its efforts to purchase commodities needed by multiple agencies cooperatively. Under this process, DAS brings together representatives of the various agencies that want to buy similar items. Discussions are held to determine the quantities of the item that will be needed and the manner in which it will be used. Employees from several agencies serve on a committee with DAS staff to evaluate products offered by vendors in response to specifications drawn up by the state. The items approved by the joint group then become available for purchase by the various agencies needing them.

The program review committee recognizes there are differences between the selection of a vendor to provide a commodity that can be defined very specifically and one to provide a service that may have intangible characteristics. However, no real efforts have been made to determine whether some services purchased by the state could benefit from a more cooperative approach toward choosing a vendor.

The Legislative Program Review and Investigations Committee recommends the Department of Administrative Services Bureau of Purchases, with assistance from the Office of Policy and Management, design a pilot program by January 1994 for the regional purchase of services (outside the human services area) by two or more state agencies that currently contract out the same service.

Savings have been achieved by the state through the group purchase of commodities. The program review committee believes it is reasonable to expect savings on the cost of services, if at least some services are purchased cooperatively rather than using the current individualized approach. Identifying opportunities for such purchases should be evaluated by the DAS Bureau of Purchases because of its experience in purchasing commodities. If DAS, in consultation with OPM, determines costs would not be lowered by this approach, then a recommendation for no change in this aspect of the current contracting system can be made.

The human services area is excluded from this recommendation because OPM and a task force created by Public Act 92-123 are working to establish policies and procedures for purchasing human services from private providers. The same act requires the attorney general to develop standards for human service agencies to enter into multi-year contracts with private providers of human services.

Standardized Contract Language

Personal service agreements are used for many recurring services, including the transfer of grants to towns and organizations and the operation of programs for clients of the state. In the case of annual grants, many components of the contract remain the same year after year. Some agencies, working with representatives of the attorney general, have developed language that can be used for all of the contracts they enter into for a given program, thereby expediting the award process. As mentioned above, efforts are currently underway to develop standards in the area of human service purchases.

The Legislative Program Review and Investigations Committee recommends master contracts (including those for grants, routine professional services, recurring client programs, and the receipt of money by the state) be developed by the attorney general's office in conjunction with the state agencies that contract with multiple parties for the same purpose.

Personal Service Agreement Database

One surprising aspect of the personal service agreement process is how little information is available about such contracts. In developing data about PSAs included in this report, committee staff had to physically examine more than 800 contracts. Staff then statistically analyzed the information collected from those documents. Even this database is not as comprehensive as had been hoped because portions of the forms were incomplete or incorrect.

The Legislative Program Review and Investigations Committee recommends the comptroller's office reprogram its current computer system to expand the database for personal service agreements. At a minimum, the database shall include the method used to select the contractor, the name of the contractor, whether the contractor is a current or retired state employee, the length of the contract, the services provided, total payments and payments made in the current fiscal year, and the funding source of the dollars expended. The personal service agreement (Form CO-802A) should be revised to facilitate collection of these data.

The program review committee also believes more information about the personal service agreement process needs to be provided to the agencies that use such contracts. Based on interviews with employees of both large and small agencies, many are confused or ignorant of current coding and reporting requirements.

With expenditures for PSAs totaling more than \$345 million in FY 92, it is important that individual agency personnel have the knowledge necessary to fully comply with the provisions of the state's contracting requirements. The Office of Policy and Management, the comptroller, the attorney general, and the Department of Administrative Services have a joint responsibility to provide needed training to the agencies. Information about regional purchasing opportunities and the costs of entering into contracts that are never carried out should be included.

APPENDICES



APPENDIX A

PERSONAL SERVICE AGREEMENT

CO-802A REV. 4/91 (Stock No. 6938-170-01)

PRINT OR TYPE

STATE OF CONNECTICUT
OFFICE OF THE STATE COMPTROLLER
CENTRAL ACCOUNTS PAYABLE DIVISION

1. PREPARE IN QUINTUPPLICATE
2. THE STATE AGENCY AND THE CONTRACTOR AS LISTED BELOW HEREBY ENTER INTO AN AGREEMENT SUBJECT TO THE TERMS AND CONDITIONS STATED HEREIN AND / OR ATTACHED HERETO AND SUBJECT TO THE PROVISIONS OF SECTION 4-98 OF THE CONNECTICUT GENERAL STATUTES AS APPLICABLE.
3. ACCEPTANCE OF THIS CONTRACT IMPLIES CONFORMANCE WITH TERMS AND CONDITIONS STATED ON THE REVERSE SIDE OF PART 1.

(3) CONTRACTOR NAME CONTRACTOR ADDRESS	(1) <input type="checkbox"/> ORIGINAL <input type="checkbox"/> AMENDMENT	(2) IDENTIFICATION NO. P. S. (4) ARE YOU PRESENTLY A STATE EMPLOYEE? <input type="checkbox"/> YES <input type="checkbox"/> NO CONTRACTOR FEIN / SSN
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STATE AGENCY	(5) AGENCY NAME AND ADDRESS	(6) AGENCY NO.
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CONTRACT PERIOD	(7) DATE (FROM) _____ THROUGH (TO) _____	(8) INDICATE <input type="checkbox"/> MASTER AGREEMENT <input type="checkbox"/> CONTRACT AWARD NO. _____ <input type="checkbox"/> NEITHER
-----------------	------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------

CANCELLATION CLAUSE	THIS AGREEMENT SHALL REMAIN IN FULL FORCE AND EFFECT FOR THE ENTIRE TERM OF THE CONTRACT PERIOD STATED ABOVE UNLESS CANCELLED BY THE STATE AGENCY, BY GIVING THE CONTRACTOR WRITTEN NOTICE OF SUCH INTENTION (REQUIRED DAYS NOTICE SPECIFIED AT RIGHT)	(9) REQUIRED NO. OF DAYS WRITTEN NOTICE _____
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COMPLETE DESCRIPTION OF SERVICE	(10) CONTRACTOR AGREES TO: (Include special provisions - Attach additional blank sheets if necessary)
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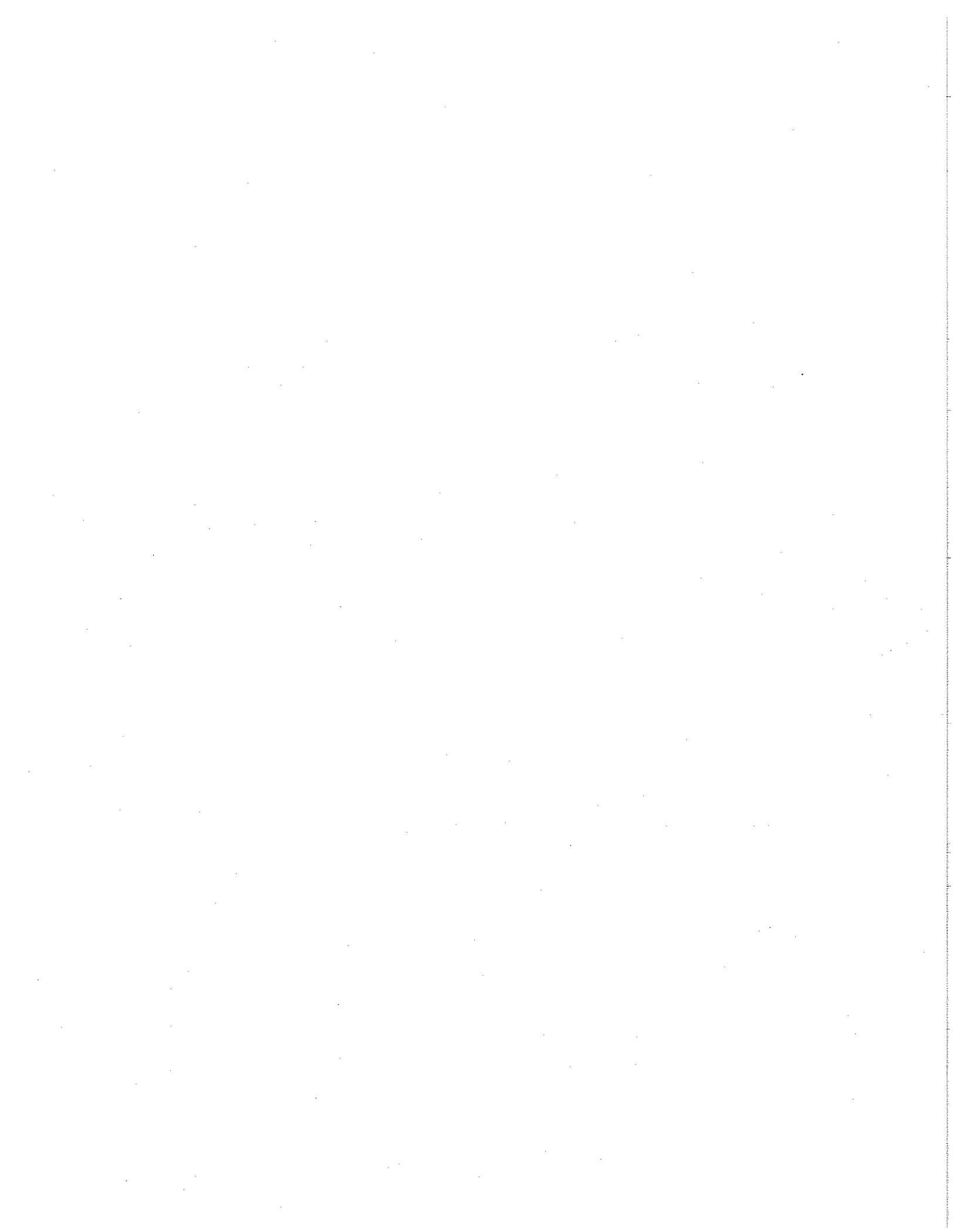
COST AND SCHEDULE OF PAYMENTS	(11) PAYMENT TO BE MADE UNDER THE FOLLOWING SCHEDULE UPON RECEIPT OF PROPERLY EXECUTED AND APPROVED INVOICES
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(12) ACT CD	(13) DOC TYP	(14) COM. TYP	(15) LSE. TYP	(16) ORIG. AGCY	(17) DOCUMENT NO	(18) COMMIT. AGCY	(19) COMMIT. NO	(20) VENDOR FEIN / SSN - SUFFIX
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(21) COMMITTED AMOUNT \$ _____	(22) OBLIGATED AMOUNT \$ _____	(23) CONTRACT PERIOD (FROM / TO)
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(24) ACT CD	(25) COMM. LINE NO	(26) COMMITTED AMOUNT	(27) COMM AGCY	(28) COST CENTER		(29) OBJ CT	AGENCY TAIL			(33) F. Y.
				FUND	SID		(30) FUNCTION	(31) ACTIVITY	(32) EXTENSION	

ACCEPTANCES AND APPROVALS	(34) STATUTORY AUTHORITY
(35) CONTRACTOR (OWNER OR AUTHORIZED SIGNATURE)	TITLE _____ DATE _____
(36) AGENCY (AUTHORIZED OFFICIAL)	TITLE _____ DATE _____
(37) OFFICE OF POLICY & MGMT. / DEPT OF ADMIN. SERV.	TITLE _____ DATE _____
(38) ATTORNEY GENERAL (APPROVED AS TO FORM)	DATE _____



APPENDIX B

Agencies With Personal Service Agreements on the Comptroller's System June 17, 1992, Ranked by State FY 92 Expenditures (through mid-June).				
AGENCY	FY92 Expenditures (through June 17) for agency PSAs on the system	Total Expenditures for agency PSAs on system	No. of PSAs	Percent of all PSAs (N=10,160)
Transportation	\$72,367,122	\$361,280,536	592	5.8%
Administrative Services	\$71,704,959	\$289,089,572	38	0.4%
Aging	\$36,856,238	\$141,767,058	92	0.9%
Treasurer	\$20,104,825	\$79,363,522	77	0.8%
Special Revenue	\$17,706,065	\$54,761,336	29	0.3%
Motor Vehicles	\$16,264,693	\$65,747,745	16	0.2%
Correction	\$14,785,710	\$17,894,343	443	4.4%
Mental Health	\$12,885,243	\$76,753,515	987	9.7%
State University	\$9,514,843	\$27,655,699	666	6.6%
DCYS	\$8,744,733	\$13,374,331	332	3.3%
UConn Health Center	\$7,417,332	\$27,202,080	792	7.8%
Education	\$6,972,159	\$17,139,360	227	2.2%
Health Services	\$6,486,166	\$10,786,609	137	1.4%
Income Maintenance	\$6,079,825	\$11,613,189	62	0.6%
Environmental Protection	\$5,961,435	\$20,618,582	447	4.4%
Human Resources	\$4,717,293	\$16,181,369	724	7.1%
Mental Retardation	\$4,100,882	\$14,124,936	955	9.4%
UConn	\$3,843,555	\$8,504,514	245	2.4%
Workers Comp Comm	\$2,960,458	\$13,368,717	222	2.2%
Public Works	\$2,713,567	\$9,145,161	134	1.3%

AGENCY	FY92 Expenditures (through June 17) for agency PSAs on the system	Total Expenditures for agency PSAs on system	No. of PSAs	Percent of all PSAs (N=10,160)
Comm-Tech Colleges	\$1,838,297	\$4,060,684	1,719	16.9%
CADAC	\$1,720,427	\$9,667,645	241	2.4%
Economic Development	\$1,292,704	\$5,588,116	108	1.1%
Comptroller	\$1,190,188	\$11,303,520	22	0.2%
Housing	\$1,054,801	\$3,304,753	17	0.2%
Public Safety	\$828,477	\$5,276,222	23	0.2%
OPM	\$592,755	\$1,122,060	28	0.3%
Employ. Security Div.	\$522,005	\$634,351	19	0.2%
Ct Educ Telecom Corp	\$500,803	\$1,156,000	1	0.01%
MPTC	\$469,824	\$489,759	25	0.2%
Ofc Protection Advocacy	\$452,715	\$657,048	53	0.5%
Veterans' Affairs	\$442,126	\$644,146	39	0.4%
Labor	\$440,209	\$475,655	22	0.2%
Attorney General	\$416,878	\$1,401,781	53	0.5%
Ct Siting Council	\$255,071	\$277,336	1	0.01%
Revenue Services	\$200,390	\$350,390	2	0.02%
Historical Comm	\$186,740	\$443,289	87	0.9%
Bd Ed Services Blind	\$183,402	\$509,439	74	0.7%
State Library	\$115,633	\$119,572	35	0.3%
Teacher's Retirement	\$102,585	\$202,585	4	0.04%
Comm Victim Services	\$96,521	\$250,020	6	0.1%
Consumer Protection	\$90,797	\$135,911	16	0.2%
Agriculture	\$82,111	\$230,917	27	0.3%
Higher Education	\$66,052	\$84,593	7	0.1%

AGENCY	FY92 Expenditures (through June 17) for agency PSAs on the system	Total Expenditures for agency PSAs on system	No. of PSAs	Percent of all PSAs (N=10,160)
Military	\$64,256	\$319,256	5	0.05%
Council on Soil/Water	\$55,125	\$152,985	11	0.1%
Fire Training Schools	\$41,300	\$134,241	3	0.03%
Secretary of State	\$35,354	\$39,365	16	0.2%
Marketing Authority	\$35,000	\$35,000	1	0.01%
Insurance	\$33,308	\$33,308	2	0.02%
Commission on Arts	\$29,238	\$30,021	95	0.9%
Probate Court	\$18,999	\$130,975	4	0.04%
Board of Pardons	\$17,263	\$34,689	2	0.02%
Tuition Reimb Ctrt	\$16,885	\$25,307	34	0.3%
Bd St Academic Awards	\$10,623	\$11,913	23	0.2%
4002 (discontinued code)	\$9,834	\$57,084	2	0.02%
Psych Srvc Review Bd	\$9,097	\$20,728	1	0.01%
Banking	\$7,832	\$7,832	7	0.1%
Auditors	\$6,960	\$43,408	2	0.02%
Office Emergency Mgt	\$2,154	\$5,842	50	0.5%
Governor's Office	\$3,812	\$26,026	7	0.1%
Statewide Emergency Tel	\$2,715	\$2,715	5	0.05%
Naug Valley Regl Ctr	\$2,432	\$2,432	1	0.01%
Public Utility Ctrl Comm	\$1,997	\$403,748	7	0.1%
CHRO	\$1,669	\$73,925	8	0.1%
2905 (discontinued code)	\$1,056	\$1,856	2	0.02%
Fire Prev Control	\$836	\$836	6	0.1%
FOI Commission	\$499	\$499	4	0.04%

AGENCY	FY92 Expenditures (through June 17) for agency PSAs on the system	Total Expenditures for agency PSAs on system	No. of PSAs	Percent of all PSAs (N=10,160)
Cncl Envrnmntl Quality	0	\$61,267	5	0.05%
Claims Commissioner	0	\$43,059	2	0.02%
Liquor Control	0	\$38,611	1	0.01%
Deaf/Hearing Impaired	0	\$8,185	4	0.04%
Bd of Parole	0	\$3,496	1	0.01%
Ethics Commission	0	\$2,000	1	0.01%
Medical Examiner	0	\$979	1	0.01%
Consumer Counsel	0	0	1	0.01%
Source: Office of the State Comptroller.				

APPENDIX C

Agencies Included in Program Review Committee Random Sample of Personal Service Agreements (N=822).		
AGENCY	No. of Contracts	% of Sample
Community-Technical Colleges	113	13.7%
Department of Mental Health	93	11.3%
Department of Mental Retardation	84	10.2%
Connecticut State University	68	8.3%
University of Conn Health Center	53	6.4%
Department of Human Resources	46	5.6%
Department of Environmental Protection	43	5.2%
Department of Transportation	42	5.1%
Department of Correction	40	4.9%
Department of Children & Youth Services	27	3.3%
University of Connecticut	18	2.2%
Workers' Compensation Commission	18	2.2%
Department of Education	17	2.1%
Conn. Alcohol & Drug Abuse Commission	15	1.8%
Department of Health Services	15	1.8%
Commission on the Arts	14	1.7%
Department on Aging	11	1.3%
Department of Public Works	11	1.3%
State Treasurer	7	0.9%
Department of Income Maintenance	7	0.9%
Office of Emergency Management	7	0.9%
Department of Economic Development	6	0.7%
Department of Veterans' Affairs	6	0.7%
Attorney General	5	0.6%
Board of Education Services for the Blind	4	0.5%

AGENCY	No. of Contracts	% of Sample
Municipal Police Training Council	4	0.5%
Office of Protection & Advocacy	4	0.5%
State Library	4	0.5%
Connecticut Historical Commission	3	0.4%
Department of Agriculture	3	0.4%
Tuition Reimbursement-Training & Travel	3	0.4%
Board of State Academic Awards	2	0.2%
Commission on Human Rights & Opportunities	2	0.2%
Council on Soil and Water	2	0.2%
Department of Administrative Services	2	0.2%
Department of Higher Education	2	0.2%
Department of Motor Vehicles	2	0.2%
Employment Security Division	2	0.2%
Governor's Office	2	0.2%
Office of Policy & Management	2	0.2%
Auditors	1	0.1%
Comptroller	1	0.1%
Department of Consumer Protection	1	0.1%
Department of Labor	1	0.1%
Department of Public Safety	1	0.1%
Division of Special Revenue	1	0.1%
Freedom of Information Commission	1	0.1%
Commission on Fire Prevention & Control	1	0.1%
Military Department	1	0.1%
Psychiatric Security Review Board	1	0.1%
Secretary of State	1	0.1%
Bureau of Statewide Emergency Telecomm.	1	0.1%
Teacher's Retirement Board	1	0.1%