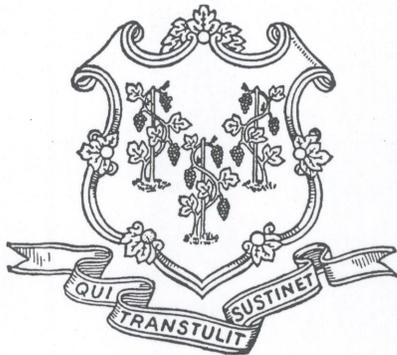


**DEPARTMENT OF
SOCIAL SERVICES
CONTRACT PROCESSES**

Connecticut

General Assembly



LEGISLATIVE
PROGRAM REVIEW
AND
INVESTIGATIONS
COMMITTEE

December 1996

**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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LEGISLATIVE PROGRAM REVIEW
& INVESTIGATIONS COMMITTEE

**Department of Social Services
Contract Processes**

DECEMBER 1996

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Introduction

In May 1996, the Legislative Program Review and Investigations Committee voted to undertake a study of how the Department of Social Services (DSS) awards contracts for services and the extent of agency compliance with contracting policies and procedures. The study was initiated by a request from the Speaker of the House of Representatives for a review of the department's recent award of a contract to administer the statewide Section 8 rental subsidy program.

To address the Speaker's concerns, the committee directed its staff to immediately undertake a compliance review of this specific case and develop findings before the current contract expired on June 30, 1996. A report containing findings and conclusions regarding the DSS Section 8 contract process was formally adopted by the program review committee on June 27, 1996. Staff work on the general department process for contracting with outside service providers then continued, resulting in the committee findings and recommended improvements presented in Chapter IV of this report.

Methodology

Information for the committee's review was gathered primarily from agency contract files and related materials as well as interviews with department personnel responsible for contract administration. Staff from other agencies responsible for overseeing various aspects of state contracting including the Office of Policy and Management, the Commission on Human Rights and Opportunities, the Department of Economic and Community Development, the Office of the Attorney General, the Comptroller, and the Auditors of Public Accounts, were also contacted about DSS service contract activities.

State and relevant federal procurement laws, regulations, policies, and written guidelines were reviewed and model service contracting practices were identified. Files from a sample of recent DSS contract awards were examined in depth to assess compliance with required policies and procedures. Documentation related to all requests for proposal (RFPs) issued by the department since January 1994 was also reviewed. Site visits were conducted of each of the five DSS regional offices were conducted to gain a better understanding of field staff activities. The committee also held a public hearing in September 1996 to obtain information and comments on DSS contracting.

Report Organization

The committee report is organized into five chapters. Chapter One provides an overview of the social services department. The general state and federal requirements agencies must follow in contracting for services are outlined in Chapter Two. Steps in the typical DSS contracting process are discussed in the third chapter while descriptive information on Department of Social Services contracts is presented in the fourth chapter. The program review committee's findings and recommendations concerning DSS service contracting are contained in Chapter Five. The committee's interim report on the agency's award of the Section 8 rental assistance program is included in Appendix A.

Agency Response

It is the policy of the Legislative Program Review and Investigations Committee to provide agencies subject to review with an opportunity to comment on recommendations in writing prior to the publication of the committee's final report. Responses to this report were solicited from the Office of Policy and Management, the Commission on Human Rights and Opportunities, and the Department of Economic and Community Development as well as the Department of Social Services and the governor's office. Agency responses were received from the social services and economic development departments and the policy and management office. All three responses are contained in Appendix B.

KEY POINTS

CHAPTER ONE: DEPARTMENT OVERVIEW

- The Department of Social Services was formed in July 1993 through the consolidation of the former income maintenance, human resources, and aging departments.
- DSS administers hundreds of contracts with providers of direct human services as well as personal service agreements with outside consultants and other professionals.
- Authority for contracting functions is dispersed among the department's programmatic units and five regional offices; two central office units provide technical assistance and carry out final reviews of all contract documents.
- Contracting procedures continue to vary along former agency and program lines but the department is making efforts to integrate and standardize its contract processes.

Chapter One

DEPARTMENT OVERVIEW

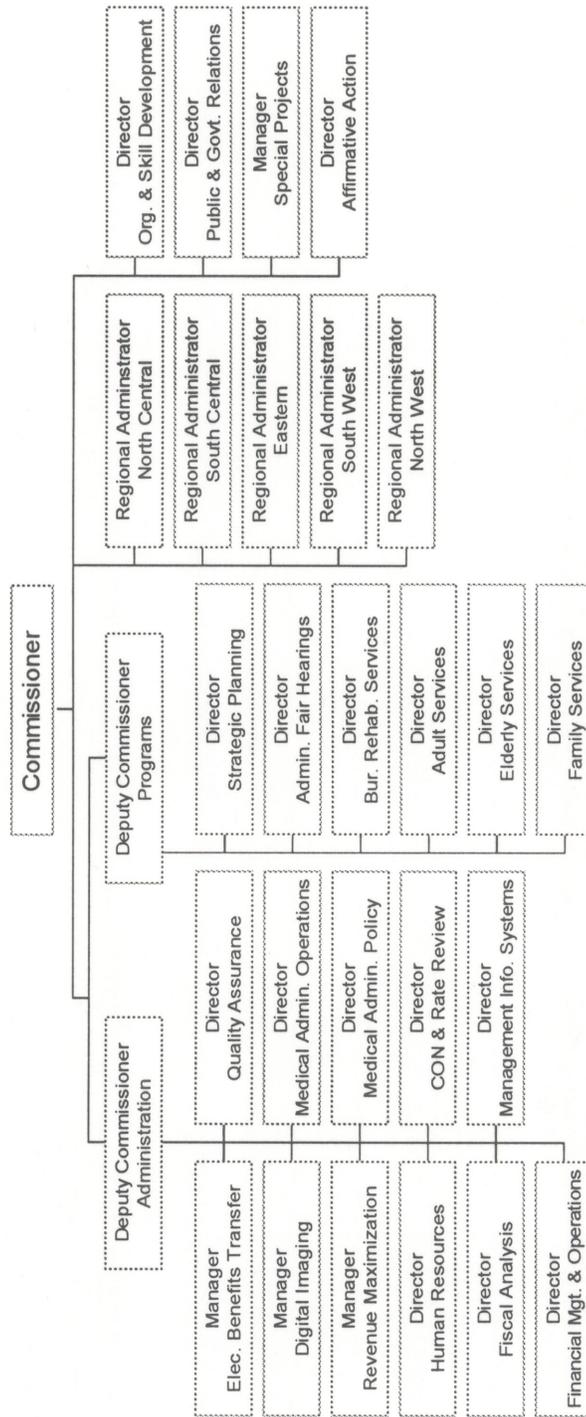
The Department of Social Services was formed in July 1993 through a consolidation of all programs of the former income maintenance (DIM), human resources (DHR), and state aging (SDA) departments, the rental assistance programs of the housing department, and the nursing home certificate of need functions of the hospitals and health care commission. The merger was the result of legislation enacted to implement the recommendations of the Hull-Harper Commission to Effect Government Reorganization concerning health and human services.

The consolidated agency provides a broad range of services to a wide range of people -- the elderly, persons with disabilities, and families and individuals in need of assistance. Following the merger, DSS became responsible for more than 800 contracts with providers of human services valued at nearly \$167 million. The agency also administers personal service agreements (PSAs), which are the standard state contracts used to procure professional advice and assistance other than direct human services, as well as interagency agreements and memoranda of understanding with other state and federal entities, which are occasionally used to obtain services.

Each agency brought together in DSS had different contracting practices. The human resources and aging departments handled many of their service contractors like grantees. DHR and SDA frequently allocated initial funding to service providers on a competitive basis, but once awarded, contracts usually were just renewed at the end of a funding period. In many cases, DHR providers wrote their own contracts without the input from agency staff; contract documents were sometimes modified by the department after a provider had formally signed off. Policy at the former Department of Income Maintenance called for the use of competitive contractor selection methods whenever possible. DIM contract documents generally were developed by central office staff.

Procedures have continued to vary along former department lines although efforts are being made to standardize the DSS contracting process. As Chapter II describes in more detail, an internal task force comprised of regional and central staff has been meeting since February 1996 to address uniformity and coordination issues as well as streamlining contract procedures. However, a mechanism for efficient and effective contract administration is still evolving within the agency.

Figure I-1. Department of Social Services Organization (5/96)



Organization. Initially, the Department of Social Services included a central grants and contracts bureau responsible for planning, contract development and maintenance, monitoring, evaluation, and technical assistance. Soon after the social services merger, however, the functions carried out by the bureau and its staff were regionalized, in accordance with recommendations of the Hull-Harper commission. Decentralization of service delivery operations and administrative functions including contracting was intended to provide as much autonomy as possible to regional offices, thus enabling them to respond to the particular needs of the region and be client-centered and customer-driven.

The current organization of the Department of Social Services is presented in Figure I-1. Authority for awarding and managing agency contracts is dispersed among the various program directors and the five regional administrators shown in the figure. When the department regionalized its functions, most grants and contract bureau staff were reassigned to regional offices and program units in proportion to estimated workload. The staffing as well as the structure of contracting functions in the regional and program offices, therefore, varies.

Table I-1 provides information on allocated positions and current staffing levels as well as current contract workloads by regional office. In two offices --Bridgeport and New Haven -- just one full-time contract staff position is filled at present. Three offices have tapped planning staff to assist with contract development activities for the department's new job training programs related to welfare reform efforts (JOBS). No office has dedicated clerical support for its contract administration unit and only the Hartford region has been assigned a fiscal administrative position.

Table I-1. Contract Workload & Staffing Levels in DSS Regional Offices: Oct. 1996

	Bridgeport/ Southwest	Hartford/ North Central	New Haven/ South Central	Norwich/ Eastern	Waterbury/ Northwest
Total Contracts Administered	75	138	148	85	75
Total Allocated Contract Positions	3	6*	3	2**	3
Total Filled Contract Positions	1	6	1	2	3
Additional staffing for JOBS contracts	1 planner part-time	-	1 planner part-time	2 planners part-time	-
Clerical Staffing	1 part-time	0	0	0	0

Notes:

* Includes one Fiscal Administrative Officer position

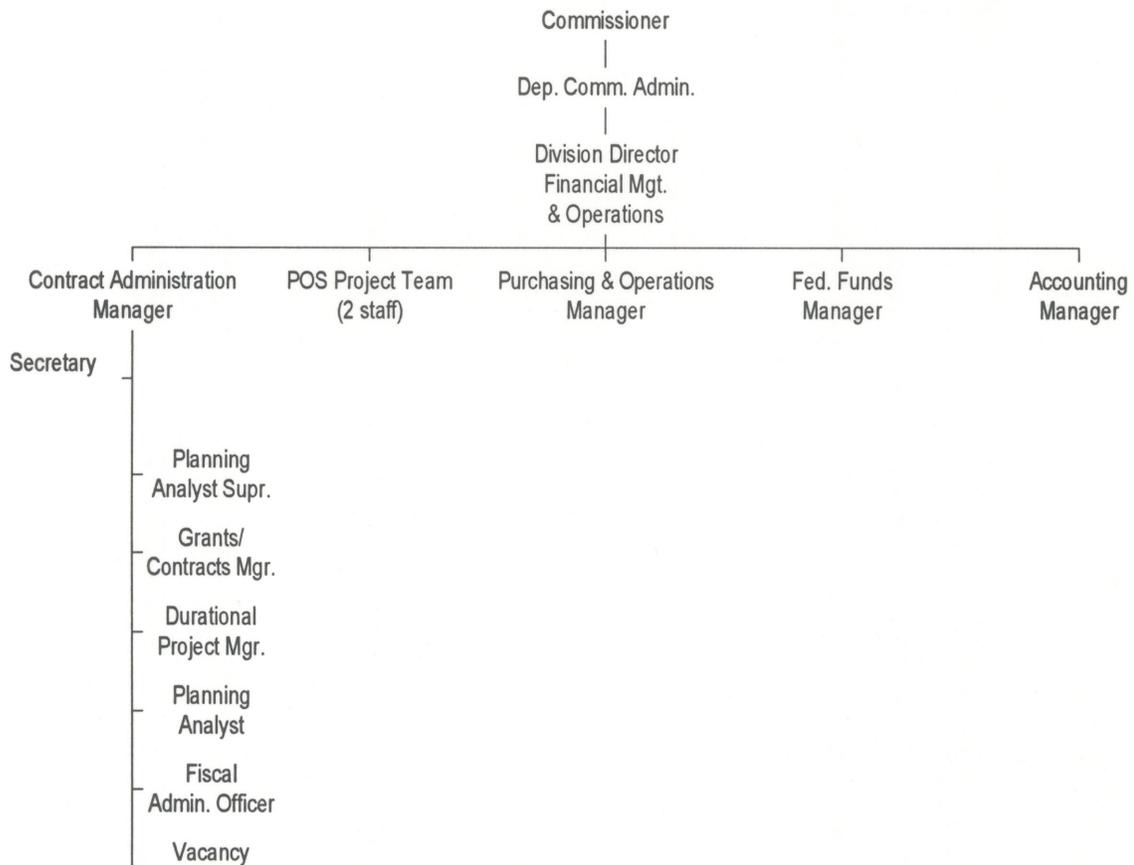
** Contract staff manager is directly responsible for four contracts

Source of Data: DSS regional offices

Earlier this year, one person within each office was designated as the single contact for communication and reporting on contracting issues. At present, however, the only centralized contract staff are located within the Financial Management and Operations Division.

Contracting functions are the primary roles of two units of the financial management division--contract administration and the purchase-of-service (POS) project team. Figure I-2 shows the structure and staffing of each. The contract administration unit provides support services to staff throughout the agency and carries out the final processing of DSS personal service agreements and certain other contract documents. The purchase-of-service team was formed in June 1996 to oversee and facilitate the processing of agency contracts with human service providers. As described in Chapter III, timely execution of POS contracts has been a problem for the social services department.

Figure 1-2. DSS Central Office Contracting Staff Organization (9/96)



KEY POINTS

CHAPTER TWO: CONTRACTING REQUIREMENTS

- DSS contracting processes are subject to:
 - State personal service agreement statutes, which emphasize competitive procurement and require review, and in some cases, prior approval by the Office of Policy and Management;
 - State purchase-of-service laws and guidelines, which call for standard contract language, uniform procedures, contractor performance standards, and timely execution; and
 - Relevant federal procurement standards if a contract involves federal funding.

- Like all state agencies, the Department of Social Services must:
 - Participate in the state small business set-aside program; and
 - Incorporate nondiscrimination and affirmative action provisions in its contract documents and process.

CONTRACTING REQUIREMENTS

Two sets of state statutory requirements govern how the Department of Social Services contracts for most outside services:

- 1) the personal services agreement (PSA) system for procuring general professional advice and services from outside firms and individuals; and
- 2) the purchase-of-service (POS) process, which applies to state agency contracts with private providers of direct human services.

Direct human services subject to the POS process are defined in statute as:

adoption and foster care services; advocacy services, substance abuse services; case management; child and adult day care; community-based and community organization services; counseling, guidance, and evaluation services; day treatment services; employment, compensatory education, adult consumer education and training; energy payment assistance; family planning services; health services; home care, including management and maintenance services; housing services; human resource development services; income assistance; information and referral services; mental health services; mental retardation services; nutrition services; parole supervision; protective services; residential treatment services; services for people who have visual, hearing, developmental, or physical disabilities; services for people who are non-English speaking and who are poor; social development services; social services; and special transportation services (C.G.S. Section 4b-31).

State law further requires every state agency contract to contain certain nondiscrimination and affirmative action provisions. In addition, DSS like all state agencies must participate in the state's small business contractor set-aside program. Major provisions of the PSA and POS processes, affirmative action requirements for state contracts, and the state set-aside program are described below.

The department's procurement activities are also subject to the state purchase order rules. Purchase orders are used primarily to obtain commodities and routine contractual services such as laundry, printing, equipment maintenance, or security. A separate set of rules for purchasing data processing equipment and technical services also applies to DSS and other state agencies. As the committee review focused on personal and professional services obtained through contracts, the purchase order system and its data processing component were not included in the study scope.

Federal Requirements

If a DSS program or service involves federal funding, the contracting process is subject to federal procurement requirements. Federal policies and regulations generally do not specify a particular process. Instead, states are required to follow the same procedures used for nonfederal procurements provided they conform to federal procurement standards. These standards include: full and open competition in all transactions; a contract administration system for assuring contractor compliance; a written code of conduct for employees involved in the award and administration of contracts; making awards only to responsible contractors; documentation of a contract's procurement history; protest procedures for handling procurement disputes; and written selection procedures that ensure solicitations fully describe all technical requirements, conditions to be met, and all evaluation factors.

Permissible procurement methods outlined in federal regulations include informal small purchase procedures, sealed bids, competitive proposals, and noncompetitive proposals. Another federal procurement policy is performance of a cost or price analysis. The method and degree of analysis depends on the particular procurement situation but making an independent estimate before bids or proposals are received is a recommended or sometimes required starting point.

PSA Procedures

Personal service agreements are the legal documents state agencies must use to contract with most outside individuals or businesses for professional advice or services other than direct human services. The Office of Policy and Management, as mandated by law, has established standards agencies must follow to enter into a personal service agreement. The OPM standards include provisions for: evaluating the need to use a PSA; developing a request for proposal (RFP); advertising for contractors; evaluating submitted proposals; selecting a contractor; monitoring and evaluating contractor performance; and documenting the selection and contract management process. All state agencies must follow the established PSA standards and were additionally required to develop and submit for OPM approval written procedures to implement the standards by July 1, 1994. Department of Social Services written procedures for personal service agreements were developed and approved by the deadline.

The PSA statutes also set forth what must be included in a request for proposal and the RFP evaluation and selection process. By law, the request for proposal must include an outline

of the work to be performed, required minimum qualifications, criteria for proposal review, format for proposals, and the submission deadline. Agencies must establish screening teams to evaluate submitted proposals. The screening team must rank all proposals in accordance with the criteria stated in the RFP and submit the names of the top three proposers to the agency head, who must select the contractor from among those names. The RFP procedures followed by the Department of Social Services, described in detail in the following chapter, generally incorporate these provisions.

Requirements of the personal service agreement process are summarized in Table II-1. As the table indicates, agencies are required to use competitive procurement methods, such as RFPs or invitations to bid, for agreements valued over \$20,000, unless they receive a waiver from the Office of Policy and Management. Agencies are encouraged to use competitive methods for agreements under that amount. Prior approval from OPM is required to enter into a personal service agreement involving a cost greater than \$50,000 or a term longer than one year, and is necessary for most PSA amendments.

During FY 96, the Department of Social Services submitted 24 PSA approval requests, 16 of which included requests for waivers from competitive procurement requirements, to the Office of Policy and Management. Three requests just for a waiver were also submitted. All but four department requests were approved by the policy and management office.

Agencies must submit certain information about the PSAs they execute to OPM in periodic written reports, or, if they are part of the state accounting system (SAAAS), policy and management staff will retrieve the necessary data from that computerized system. The Department of Social Services meets its PSA reporting requirements through its participation in the SAAAS system.

Within 60 days of contract completion, agencies must submit written performance evaluations of certain PSA contractors to the Office of Policy and Management. At present, performance evaluations are required only for contractors who meet the statutory definition of a consultant. According to the Office of Policy and Management, the social services department has not complied with the written performance evaluation requirement. However, the need to complete performance evaluations for PSA contractors was emphasized at a recent DSS training program on the PSA process for its regional and central office contract staff.

POS Procedures

The purchase-of-service contracting process was established by P.A. 92-123. The process is an outgrowth of recommendations from a 1991 study group, the Commission to Effect Government Reorganization, that were aimed at improving and standardizing the state system

Table II-1. PERSONAL SERVICE AGREEMENT (PSA) PROCESSING REQUIREMENTS

REQUIREMENTS	PSA Under \$20,000 & 1 year or less	PSA \$20,000 to \$50,000 & 1 year or less	PSA Over \$50,000 OR Over 1 Year	PSA Amendments
OPM APPROVAL*	No prior approval required	If competitive, no prior approval <u>unless</u> fewer than 3 responses received; then OPM written approval required before enter into contract If non competitive contracting, OPM approval (<i>Waiver Request Form</i>) required	Prior approval required (<i>PSA Request Form</i>) for all contracts <u>And</u> if sole source, non competitive contracting approval (<i>Waiver Request Form</i>) required <u>And</u> if competitive but fewer than 3 responses received, OPM approval required before enter into contract	Prior approval (<i>Request for Continuance Form</i>) required if proposed amendment: - increases cost 100% or more over original value - increases cost by more than \$50,000 over original value - any cost increase if the original contract was over \$50,000 - second or any subsequent amendment (regardless of cost)
METHOD	Competitive suggested; if not competitive, recommend keep documentation of why	Competitive unless waiver for non competitive contracting approved by OPM		
REPORTING**	Submit PSA info to OPM every 6 months (unless OPM obtaining through SAAAS, the state accounting system)	Submit PSA info (<i>PSA Required Information Form</i>) to OPM when agreement sent to DAS/OAG		
EVALUATION***	Written performance evaluation (<i>PSA Evaluation Form</i>) submitted to OPM 60 days after completion of contract required for all contractors defined as consultants under C.G.S. Sec. 4-205			

NOTES:

- * - If OPM fails to act on or ask questions about a PSA or Continuance Request Form within 15 days of receipt, the request is deemed approved.
- In cases where competitive contracting resulting in less than 3 responses OPM requires submission of the following: copy of PSA Request Form (if required originally); Waiver Request Form; copy of RFP; copy of advertisement and description of advertising process; and copy of RFP distribution list.
- Only first amendments that increase costs by \$50,000 or less on contracts originally \$50,000 or less do not require OPM approval.
- ** Required PSA information includes: provider name; service description; term; cost; selection method; and, once the agreement is in effect, amounts paid by fund and by federal/private funding allocation.
- *** Under C.G.S. Sec. 4-205, a consultant is a person, firm, or corporation hired by an agency for a fee to provide professional services or advice under a contract that defines the services or end product to be delivered and does not include the following: independent contractors who provide ongoing, routine professional services to state agencies or their clients or who operate a state program; providers of ordinary "contractual services" (defined in Sec. 4a-50) such as security, cleaning, transcription, etc.; design professionals used for public works projects (defined in Sec. 4b-55); or DOT consultants (defined in Sec. 13b-20b).

for purchasing human services. Under the purchase-of-service legislation, the Office of Policy and Management is responsible for establishing uniform policies and procedures for obtaining, managing, and evaluating human services purchased from private providers. OPM is assisted by a statutorily mandated advisory task force comprised of representatives from the state human service system agencies, the attorney general's office, private service providers, service consumers, and private citizens.

At the time of the committee review, OPM, in conjunction with state agency representatives, had developed a standard POS contract format. One required element of the standard contract is the inclusion of client-based outcomes and measures for evaluating performance and holding contractors accountable. At this time, no particular procurement method is specified, but agencies are encouraged to use competitive processes to award human services contracts.

A primary objective of the POS project is the timely execution of human service contracts and prompt payment of providers. In April 1995, the Office of Policy and Management instituted a process for monitoring agency performance of contract execution. Agencies are required to submit monthly reports that track the processing status of all purchase-of-service contracts. Results are summarized by policy and management staff and periodically reported to the General Assembly.

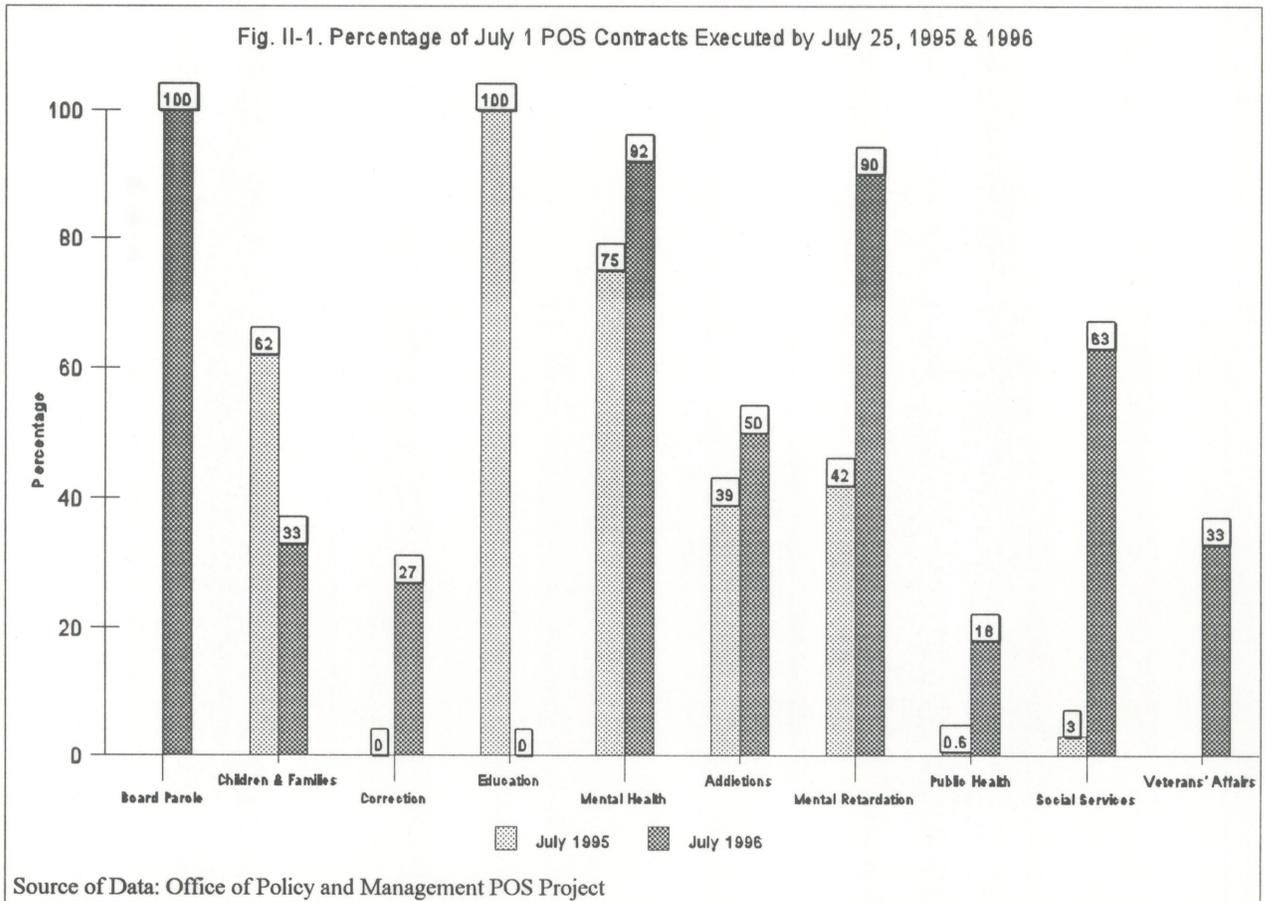
At the Department of Social Services, an internal task force, with the assistance of an OPM staff person, is working to implement contracting improvements and resolve a number of issues related to the purchase of direct human services. OPM involvement was prompted by the department's lack of progress on POS objectives. Incomplete reporting on contract status and continued delays in contract execution and contractor payments were of particular concern to the policy and management office.

The department's tracking of its purchase-of-service contracts improved with the establishment of an automated status report in 1995. Significant progress also has been achieved in the timely execution of DSS contracts as Figure II-1 indicates.

Figure II-1 provides information from two fiscal years on the percentage of POS contracts with a July 1 start date that were executed by July 25 for the 10 agencies involved in the purchase-of-service project.¹ On July 25, 1996, 63 percent of the social services department July POS contracts were fully executed compared with three percent in the prior year. Preliminary data for DSS contracts with an October 1, 1996 start date indicated timely execution rates have

¹ The parole board and veterans' affairs bureau did not participate in the POS project in 1995. The total number of July 1, 1996, POS contracts varied among the 10 agencies from only one each for the parole board and education department, three for veterans' affairs, and 27 for the correction department to about 100 or more for all other agencies, i.e., addictions (99), children and families (109), mental health (123); public health (1550), social services (183); and mental retardation (205).

dropped but still represent a tremendous improvement over 1995. Approximately 55 percent of the department's 549 October 1 contracts had been approved by the attorney general's office and executed as of October 31, 1996.



Nondiscrimination and Affirmative Action

State statute requires certain affirmative action provisions be included in every contract between the state and any person or entity. Under C.G.S. Section 4a-60, contractors with the state must agree within the contract document not to discriminate and to take affirmative action in their employment and subcontracting practices. Under state law and regulations of the Commission on Human Rights and Opportunities (CHRO), state agencies are responsible for aggressively soliciting the participation of minority- and women-owned business enterprises (M/WBEs) as bidders, contractors, subcontractors, and/or suppliers. Agencies must also assure that their contractors implement a "good faith effort" to include M/WBEs as subcontractors

and/or suppliers. State agencies must include information on their contract compliance program activities in their annual affirmative action plan submissions to the commission.

Within 10 days of contract execution, agencies must notify CHRO of all major contracts they award (i.e., purchases of goods more than \$3,000 or leases, rental or personal service agreements greater than \$4,000). The commission is authorized to monitor contractors for conformance with affirmative action and minority- and women-owned business requirements. CHRO does not routinely monitor agency compliance with the contract notification requirement at present and was unable to comment on the performance of the Department of Social Services in this area. For the past three years, the commission has focused its monitoring resources on state construction contracts. CHRO staff noted plans to revamp the process for overseeing goods and services contracts are being discussed.

Agency efforts to contract with minority- and women-owned businesses are routinely monitored by CHRO. As required by statute, the commission issues an annual report on state agency M/WBE contracting practices. Information on DSS minority contracting from the latest CHRO report is presented in Table II-2.

Table II-2. DSS and Statewide M/WBE Contracting: FY 95.

	DSS Contracts	Total State: All Contracts	Total State: Nonconstruction Contracts
Value All Contracts Awarded*	\$353,907,937	\$1,802,309,159	\$1,312,900,330
Value M/WBE Contracts	\$6,027,146	\$111,104,292	\$45,907,204
M/WBE Percentage of Total	1.70%	6.16%	3.50%

* Includes all contracts, purchase orders, PSAs but not good or services obtained through central warehouse.

Source of Data: CHRO 1995 Annual Report to the Legislature on Minority and Women Business Enterprises in State Contracting and DSS 1994-95 M/WBE Utilization Report to CHRO.

As the table shows, during FY 95, the department awarded 1.7 percent of its total contracting dollars to M/WBE contractors compared with a statewide rate of 3.5 percent of all nonconstruction contracting dollars. The Department of Social Services recently requested technical assistance from CHRO to improve its minority contracting performance. One result of the request is DSS staff have been invited by the commission to attend meetings of the Interagency Coordinating Council, an ad hoc group comprised of representatives from CHRO, the departments of public works, administrative services, transportation, and economic and community development, the University of Connecticut, and the state university system. The

council, established as a forum for agencies to work on M/WBE contracting issues, meets periodically to share information, exchange ideas and develop strategies to support the program.

Contractor Set-Aside Program

State law requires each state agency that contracts for goods, services, and construction projects valued at \$10,000 or more per year to set aside 25 percent of the average value of all contracts let over the previous three years for award, on a competitive basis, to certified small businesses. Of the amount set aside, 25 percent must be reserved for small businesses owned by minorities, statutorily defined as racial and ethnic minorities, women, and people with disabilities.

To be eligible for certification as a small business, a contractor must have been in business in Connecticut at least one year and have gross revenues of \$10 million or less. A minority business designation requires that 51 percent or more of the company's stock be owned by a person or persons who are minorities as defined in statute. The minority entity must be active in the day-to-day affairs of the business and have the power to change policies and management. Certification is renewable every two years.

The certification process for small business and those seeking designation as a minority-owned or a women-owned business enterprise (M/WBE) is carried out by the state Department of Economic and Community Development (DECD). As part of its administrative duties, the department maintains an automated database and compiles a directory of certified companies. The last set-aside business directory was issued in November 1993. Agency staff are currently working on an updated directory, with efforts focused on correcting errors in the small business database and verifying the eligibility and certification status of the approximately 2,800 companies it includes.

Under legislation enacted in 1993, state agencies are required to establish small business set-aside goals and objectives each year. Agency goals and quarterly status reports on progress toward achieving them must be submitted to the economic development department, the commission on human rights, and the legislature's planning and development committee. At the suggestion of the Interagency Coordinating Council, DECD and CHRO have developed a joint form for agencies to use to meet their quarterly set-aside reporting requirements and to report their good faith efforts to use M/WBE contractors to the commission.

Agencies will also be able to use the joint report to meet CHRO's revised requirements for reporting contract compliance activities in their affirmative action plans. Starting in September 1996, agencies are required to include copies of the quarterly reports along with a brief explanatory comments in their affirmative action plan submissions to the commission.

The Department of Social Services did not establish set-aside goals in a timely fashion and, consequently, did not submit quarterly reports for last year. At this time, the Department of Economic and Community Development does not monitor agency compliance with the annual goal and quarterly reporting requirements and there are no sanctions if an agency fails to submit them. According to DECD staff, the lack of monitoring is a matter of limited staff resources. The agency's set-aside program is currently undergoing an internal evaluation and reorganization of the function is anticipated.

An on-going disagreement over the calculation of annual set-aside goals is one reason DSS did not submit any for FY 95. The steps for establishing goals require an agency to begin with total contract expenditures (three-year average) and then deduct certain costs it can justify for exemption from the set-aside program (e.g., rent, utility costs, mandated sole purchase items, etc.), subject to the approval of the DECD commissioner. Exemptions of certain expenditures (e.g., contractual payments to non-profit service providers and municipalities) have been requested by DSS but unapproved by the economic development commissioner. Without these exemptions, the agency believes its set-aside goals would be unrealistically high. Goals incorporating the proposed exemptions were submitted by DSS for FY 96. No response to the department's submission had been received from DECD by the conclusion of the committee's review.

A subcommittee of the Interagency Coordinating Council established to review the issues of goals and exemptions and the council made recommendations for changes to DECD during the summer of 1996. Specifically, the council suggested holding workshops for state agencies and vendors on goal setting procedures and program implementation. To date, no action has been taken on the council's recommendations by DECD.

KEY POINTS

CHAPTER THREE: DSS CONTRACTING PROCESS

- Major steps in the department's contracting process vary depending on
 - The type of contract (POS or PSA) required; and
 - Whether a sole source procurement method or competitive process, such as request for proposals , is used to select a contractor.
- In most cases, however, once funding is authorized and a contractor is selected, the same general procedures are followed to negotiate and execute a contract document.
- No up-to-date manual exists to guide DSS program and field staff responsible for awarding and administering agency contracts.
- An automated system for tracking all DSS contracts and agreements was under development but no comprehensive contract database was available for use by department staff.

DSS CONTRACTING PROCESS

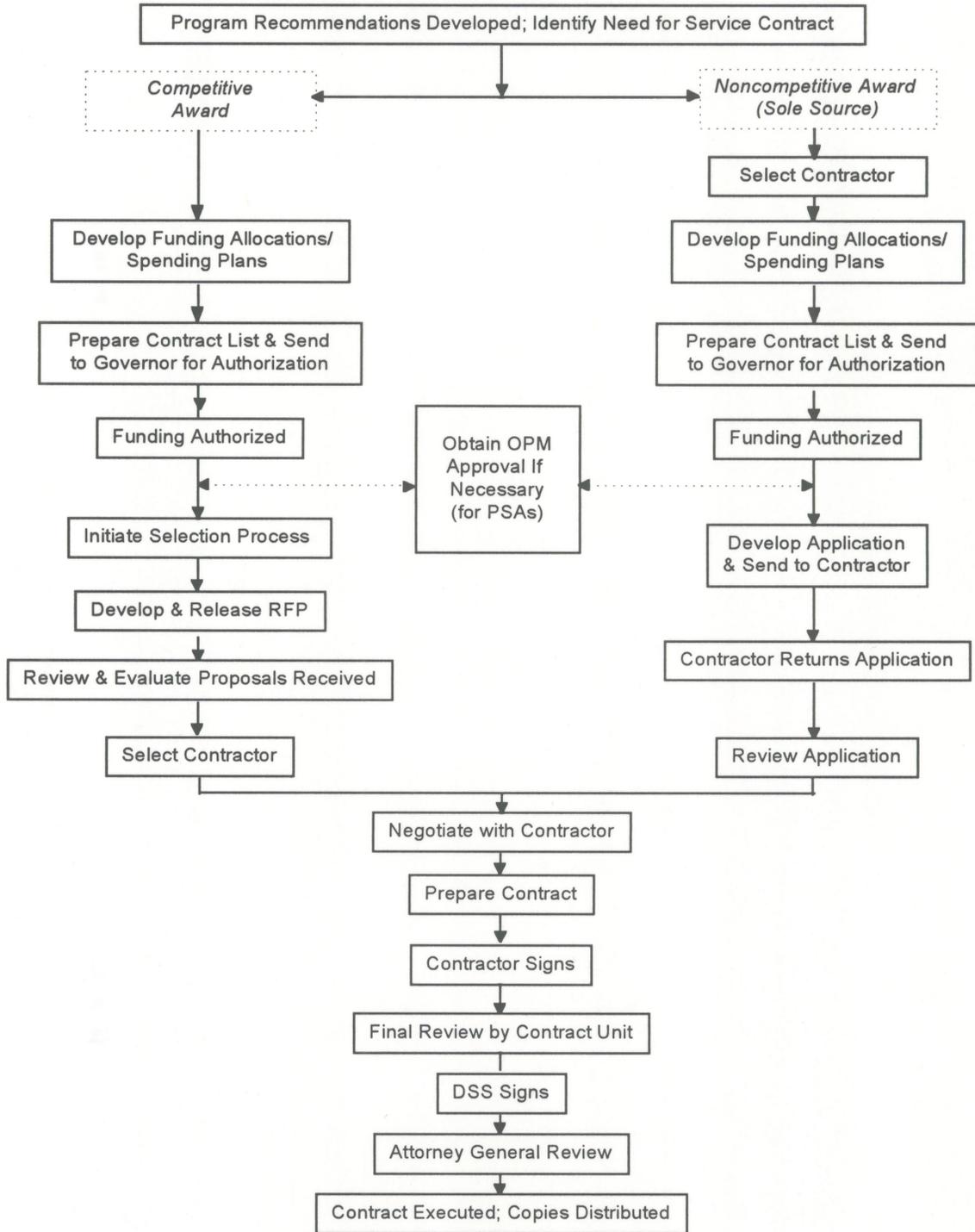
Major steps in the Department of Social Services contracting process for outside services are outlined in Figure III-1. As the figure indicates, procedures can vary depending on the type of contract required (i.e., personal service agreement of purchase-of-service contract) and whether a competitive or sole source procurement method is used.

The contracting process generally begins when a need for outside services is identified during the department's planning and budgeting process. In the past, approval of an internal document, the "Request for Procurement Authorization Form," was required to initiate the contracting process. The form, which needed approval from a commissioner, budget staff, and the agency contract administrator, required the requestor to describe what was to be purchased and why, the estimated cost, proposed contract term, and proposed procurement method. Use of the form has been suspended while a replacement is being considered.

POS contracts are generally initiated through spending plans, which document funding levels and sources for the department's human service programs. Program managers are required to prepare spending plans and submit them for review and approval by the agency fiscal office and the deputy commissioners before contracts with providers are finalized. The department is still developing the spending plan procedures but the goal is to integrate it with the contracting process.

It is anticipated that spending plans will be used to generate the list of contracts that must be sent to the governor's office for approval. Authorization by the governor's office is a relatively new step in the state contracting process. A February 1995 directive from the governor requires all executive agencies to submit contracts for outside services with a value more than \$5,000 for review and approval by the governor's office as to need, cost, and other issues, prior to contract execution. At a minimum, the following information must be provided in an itemized list format: contract number; contractor name; contract period; maximum cost; and brief descriptions of the service, selection method used, and why such services are necessary. At present, DSS sends contract lists to the governor's office on a weekly basis.

Figure III-1. DSS Contracting Process for Outside Services



Under the department's decentralized administrative structure, program units, and regional offices have primary responsibility for carrying out the procurement process for the contracts they oversee. It appears that except for the request-for-proposal process, which is overseen by central office contract staff, each region and program unit has developed own procedures for awarding contracts. There is no contract administration manual for agency staff to follow at present. Several training sessions on POS contracts and personal service agreements have been held and some documentation based on that training has been provided to staff with contracting responsibilities. Regional office personnel have also been encouraged to contact the agency contract administration unit with questions or requests for technical assistance.

The department's internal POS task force has identified the need for consistency in contracting procedures and is working to establish standard practices throughout the agency. Standard letters for corresponding with contractors have been drafted and an automated database for tracking and reporting on contracts is planned. The first phase of the computerized contract information system was expected to be in place by mid-September 1996 but has been postponed to early 1997.

Final review of all agency contracts is conducted by the contract administration and POS project staff within the financial management and operations division. Contracts are checked for completeness and then routed for final signatures and approvals. Once the attorney general's office signs off, a contract is considered executed and payments to a contractor can be initiated.

One objective of the final review is to ensure DSS contract documents contain necessary nondiscrimination provisions. This effort has been simplified with the development, through the purchase-of-service project, of standard contract language for mandatory terms and conditions such as affirmation action and equal opportunity requirements.

Department contractors are also required to submit a workforce analysis form that, among other purposes, permits a comparison of the contractor's employee demographics with relevant labor market area statistics. Whether the form has been submitted is checked during the final review process. However, no systematic analysis of the data provided is conducted, either by programmatic, contract administration, or affirmative action staff, at present. The department's internal POS task force is studying several issues related to affirmative action and contractor compliance. One plan under consideration is to automate review of the workforce analysis forms, making it part of the new contract information system. The DSS affirmative action director has also requested future agency contracts be revised to include standard language requiring contractors to notify the department of any discrimination complaints pending at the time the contract is awarded or received during the contract term.

RFP process. As noted above, if a contract is to be awarded through a request for proposal, the central office contract administration unit oversees the process to insure legal and procedural

compliance. Program personnel have primary responsibility for developing RFP documents and evaluation criteria, but the contract administration staff provide support services and advice and carry out technical aspects of the process.

The request-for-proposal process the social services department typically follows is based on procedures developed and used by the former Department of Income Maintenance. Figure III-2 shows the main tasks and general time frame of each phase of the process.

Once the decision to use an RFP process is approved, the responsible program staff usually begin developing a draft request-for-proposal document in consultation with the contract administration staff. Draft proposals are often reviewed confidentially by others in the agency familiar with the program issues. The department's final RFP documents have a standard format comprised of the following seven parts: 1) an introduction briefly describing the department and the program; 2) an overview of the procurement process; 3) the scope of work; 4) instructions for submitting a proposal; 5) the proposal evaluation process; 6) the "bid packet" (the set of documents such as the workforce analysis form, lobby certificate, etc., that proposers must complete and submit with their proposals); and 7) a checklist of all items required for submission (e.g., table of organization, resumes of key personnel, business proposal, audited financial statements, affirmative action policy, etc.).

With the assistance of the contract administration unit, program staff also develop criteria for evaluating the proposals and the number of points or weight that will be given to each. Once the criteria are finalized, a copy is sent to the unit in a sealed envelope via certified mail as evidence the criteria were determined before proposals were opened.

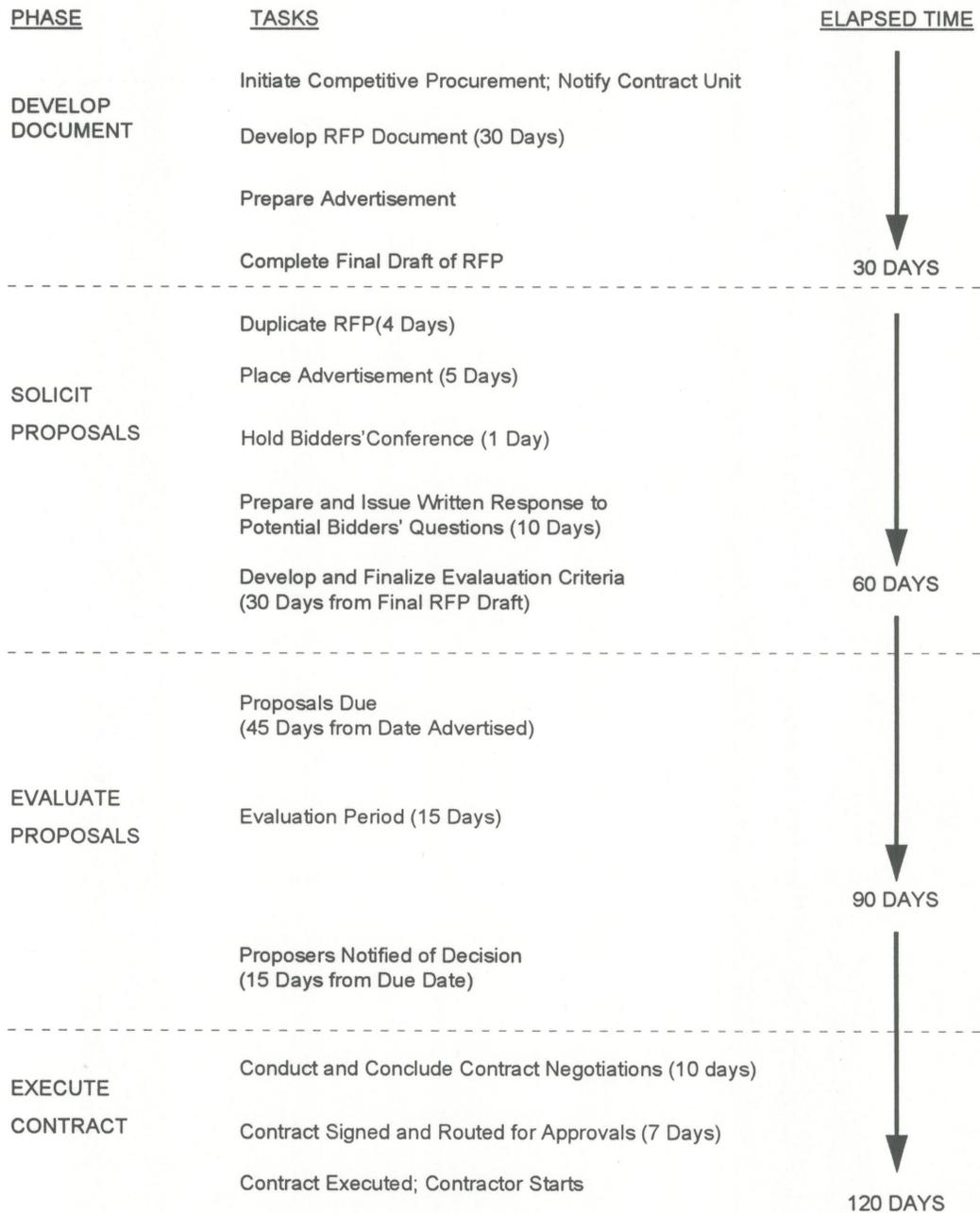
Typically the evaluation criteria for proposals submitted in response to a department RFP are organized into three main categories:

- 1) organizational capacity, covering staff, structure, and experience;
- 2) project design, which measures a proposal's responsiveness to the priorities, goals, and objectives stated in the RFP; and
- 3) business proposal, which is cost and budget information.

The points assigned to the cost component are usually set at between 25-30 percent of the total possible score. In some cases, extra points may be received if a proposer includes plans for using minority- and women-owned businesses as subcontractors and/or suppliers.

Most RFP evaluation teams are appointed by the division head responsible for the program area of the contract. Evaluation teams commonly have five to six members, most frequently DSS staff but sometimes representatives of outside organizations are included. As standard practice,

Figure III-2. DSS Request-for-Proposal Process: Typical Tasks and Timeframe



evaluation team members are briefed by the contract administration unit about the process, their duties, and their obligation to maintain the integrity of the process. All are required to sign confidentiality statements.

Notice of the RFP is sent to appropriate individuals or organizations included on the agency bidders' list and a legal notice is placed in one or more newspapers. A bidders' conference, which is transcribed by a court reporter, may be held and bidders are always invited to submit written questions. Written answers to the questions raised at the bidders' conference or submitted in writing are prepared and sent out to the interested parties. An amendment to the RFP may be issued as the result of questions raised by bidders.

Proposals received by the stated due date are prescreened by contract administration staff to determine if mandatory submission requirements have been met (e.g., the proposal was properly submitted, all required forms are complete and included, all elements are addressed and within the permitted page limits, etc.). The proposals and predetermined evaluation criteria are then sent to the evaluation team members. The team members are instructed, usually by memorandum, to only use the information provided in the proposal to determine their ratings and to record their scores prior to the formal meeting of the team.

Evaluation team members meet to review proposals and discuss scores. As noted in the cover letter sent to all team members, all items can be discussed, evaluators can revise scores if they wish based on team discussions, and in the absence of consensus, scores will be averaged on any particular item. Department procedures allow an evaluation team to schedule interviews if it is determined more information is needed from the proposers.

When ratings are finalized, a sheet summarizing the final individual and average scores is prepared and then signed by each team member. Summary sheets often contain notes on the key comments made by evaluation team members and are retained in the contract administration unit's procurement file.

A memorandum summarizing the procurement process and the evaluation team scores is then prepared by contract administration staff and sent to the commissioner through the deputy commissioner for administration. Upon review of the procurement memorandum, the commissioner selects the proposer who will be awarded the right to negotiate a contract with the department.

Notification letters are sent to all proposers. Unsuccessful applicants may, within 30 days of the signing of the resulting contract, request a meeting for a debriefing and discussion of their submissions.

Negotiations are conducted with the selected proposer, and a final contract document is prepared by contract administration staff. Once the contract is signed by the contractor and the agency, it is sent to the attorney general's office for approval.

Information on requests for proposals issued by the department since January 1994 is summarized in Table III-1. Program review committee staff reviewed available procurement and contract files for the 27 RFPs listed in the table. From these materials it appeared standard procedures were followed in each case and there was general compliance with relevant contracting requirements.

Examination of the RFP files also revealed the department's process does not always generate competition for agency contracts. As Table III-1 shows, in three cases reviewed, only one proposal was received although numerous requests were sent out by DSS.

Table III-1. Department of Social Services Requests for Proposal Released and Awarded Since January 1994 (as of June 1996)

Description (Scope of Work)	Type Contract	Proc. Meth.	Date Released	Total Sent Out	Letters of Intent Rec'd	Total No. Proposals Rec'd	Contract Dollar Value	Date Award.
Section 8 Housing	POS	RFP	10/2/95	53	10	4	\$1.016 million	3/7/96
ID Card	PSA	RFP	4/22/94	24	10	1	\$700,000	9/12/95
Med. Consultant--1115 Waiver	PSA	"RFD"	9/24/95	100	n/a	2	\$200,000	Canceled
Med. Consultant (#2)	PSA	"RFD"	11/5/95	178	n/a	18	\$200,000	4/29/96
Home Care	POS	RFP	2/2/96	37	8	6	?	3/21/96
Designated Provider	POS	RFP	2/23/95	25	n/a	6	\$460 million*	8/31/95
Medicaid Managed Care	POS	RFA	2/8/95	25	n/a	14	\$1.2 billion*	various
Healthtrack/EPST	n/a	RFP	8/22/94	10	n/a	n/a	n/a	Canceled
Employment Agency	n/a	RFP	2/7/96	62	n/a	n/a	n/a	Canceled
Welfare Reform Evaluation	PSA	RFP	6/27/94	50	12	1	\$299,335	9/15/94
BRS Organization Change	PSA	RFP	9/6/94	45	8	4	\$10,000	11/22/94
On-the-Job Training	POS	RFP	12/28/94	33	8	1	\$187,500	?
Elderly Health Screening	POS	RFP	3/31/95	6	2	2	\$40,300	6/1/95
Small Business/Set-Aside	POS	RFP	12/4/95	40	16	6	\$1.6 million	3/7/96
Personal Care Assistant	POS	RFP	12/4/95	16	6	4	\$1.5 million	?
Marketing/Job First	PSA	RFP	10/10/95	45	3	4	\$580,000	5/1/96
CCMIS	PSA	RFP	8/15/95	77	15	6	\$185,419	4/8/96
Family to Family	PSA	RFP	9/25/95	19	?	4	\$20,000	12/5/95
Adult Family & Home Share	POS	RFP	9/21/95	15	2	1	\$150,000	11/22/95
Refugee	POS	RFP	8/17/95	54	8	3	\$190,000	10/4/95
JTPA	POS	RFP	9/21/95	140	6	4	\$26,150	8/15/95
JOBS	POS	RFP	4/27/95	200	43	10	\$1.5 million	6/20/95
Auditing of Pharm. Rebates	PSA	RFP	3/14/95	46	11	5	\$50,000	6/15/95
High Support Job Search	POS	RFP	1/9/95	100	?	2	\$150,000	Canceled
Enrollment Broker Managed Care	POS	RFP	12/12/94	47	?	4	\$5.206 million	?
Child Support Collections	PSA	RFP	11/10/94	36	8	5	n/a	5/1/95
Supportive Housing Evaluation	PSA	RFP	11/22/94	50	?	4	\$21,000	4/3/95

Note: * = maximum value

KEY POINTS

CHAPTER FOUR: DEPARTMENT CONTRACTS

- Until the computerized contract information system is in place, the only centralized source of information on DSS contracts is the agency's annual report on minority business utilization.
 - According to the agency's most recent report, 632 contracts for outside services worth a total of \$180 million were awarded during FY 96.
 - The majority in terms of numbers (89%) and dollars (92%) were purchase of service contracts; further details about agency contracts are not compiled for the report.

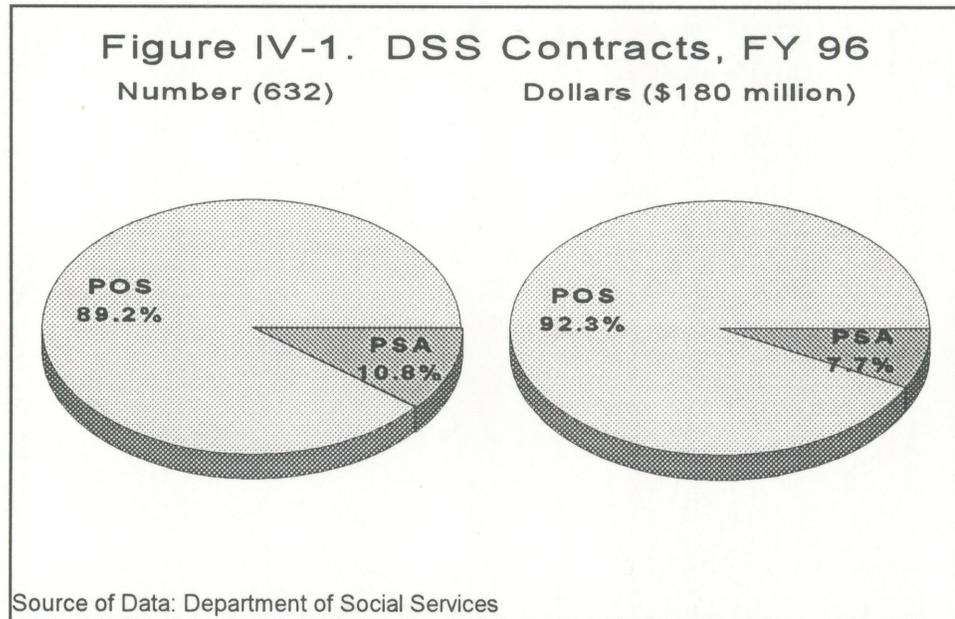
- Analysis of the agency's database of POS contracts showed that for the 638 active as of May 1996 dollar values ranged from \$72 to \$22.5 million.

- Based on information gathered as part of a prior program review committee study, about 200 DSS personal service agreements were active during FY 95; nearly two-thirds had values of \$50,000 or less.

DEPARTMENT CONTRACTS

Data on the numbers and types of service contracts awarded by the Department of Social Services are compiled in a number of different ways for a variety of purposes. However, until the new computerized contract information system discussed in the prior chapter is in place, the only centralized source of information on all contracts awarded is the department's annual M/WBE utilization report to the human rights and opportunities commission.

Information developed for the department's most recent report to CHRO shows DSS awarded 632 POS and PSA contracts involving more than \$180 million during fiscal year 1995-96. The majority, in terms of numbers and dollars, were purchase-of-service contracts as Figures IV-1 illustrates.



According to its prior M/WBE report, DSS awarded a total of 1,612 procurement contracts with a combined dollar value of \$353,907,937 during FY 95. Of the total, 986 were purchase-of-service contracts and the remainder (626) were personal service agreements and purchase orders. Further details, such as the number of PSAs or the dollar values of each type of contract were not compiled for this or earlier utilization reports. Available descriptive information on the department's current POS contracts and PSAs, is summarized below.

POS Contracts

The Department of Social Services maintains an automated database to track the processing of its POS contracts and prepare status reports for the Office of Policy and Management. A copy of the database as of May 1996 was provided to the committee staff. A total of 638 POS contracts with a combined dollar value of \$166 million was included in the database.

Analysis of the POS information showed contract values ranged from \$72 to \$22.5 million, with half of the contracts having a value less than \$50,000. Thirty contracts had a value of \$1 million or more. A number of the smaller value contracts were actually subsidies such as rent reductions or transportation assistance paid to contractors on behalf of eligible DSS clients. The department is considering handling these types of transactions through purchase orders in the future.

Personal Service Agreements

DSS does not maintain a database for its personal service agreements although an automated one is being planned. At present, the best information on PSAs awarded by the department is available through the state accounting system. As described earlier, the Office of Policy and Management retrieves personal service agreement data from the SAAAS system for a number of agencies including DSS to meet personal service agreement reporting requirements. Although reporting is required only for agreements under \$20,000, the data OPM receives from the accounting system includes all PSAs an agency processes. Committee staff arranged to receive a copy of the social services department PSA data for FY 96 from the policy and management office when it was finalized. Technical problems prevented OPM from accessing and providing PSA data before the committee study was completed.

Based on information gathered as part of a prior committee study on personal services agreements, there were 218 social services department PSAs active during FY 95. Many of the agreements were for relatively minor amounts; nearly two-thirds (63 percent) had contract values of \$50,000 or less. Eighteen of the department's FY 95 PSAs involved obligated contract amounts of over \$1 million.

KEY POINTS

CHAPTER FIVE: FINDINGS AND RECOMMENDATIONS

- DSS has made progress toward establishing uniform contracting procedures and appears in compliance with the main requirements of federal and state procurement laws.
- Compliance needs to be improved in several areas, however, and contracting performance also can be enhanced in several ways. Based on its findings, the committee made 12 recommendations for changes in the following seven areas:
 - **Accountability** -- retain a central contract unit, implement the automated contract information system, develop a staff manual, revise the governor's contract approval process;
 - **Documentation** -- develop contract file standards, document the commissioner's final selection decision;
 - **Cost Analysis** -- carry out cost and price analyses as standard step of the contracting process;
 - **Competitive Procurement Policy** -- establish open competition as a formal, written policy, OPM and DAS prepare a plan for an on-line procurement system;
 - **Staffing** -- reassess allocation of contracting staff, adopt workload standards and job descriptions;
 - **Affirmative Action Monitoring** -- clarify lead role of agency affirmative action office; and
 - **Small and Minority-Owned Businesses** -- Department of Economic and Community Development publish certified small business directory and begin monitoring state agency compliance with set-aside program reporting and Commission on Human Rights and Opportunities begin monitoring state agency compliance with contract notification requirements.

FINDINGS AND RECOMMENDATIONS

The Department of Social Services administers hundreds of contracts with providers of direct human services as well as consultants and other outside professionals. During the past fiscal year, 1995-96, the agency awarded more than 600 contracts for services with a total value of about \$180 million.

DSS has been working to develop a single contracting process since it was formed in 1993 through a consolidation of the former income maintenance, human resources, and aging departments. Its goal is to incorporate elements of the processes followed by its predecessor agencies, model contracting practices, and procedures required by state and federal laws and regulations. At the same time, contracting and other administrative functions of its predecessor agencies are being integrated, the department is regionalizing its operations as mandated by recent human service reorganization legislation.

The Legislative Program Review and Investigations Committee examined how the department contracts for outside services, focusing on compliance with required procurement policies and procedures. The committee found DSS has made progress toward establishing uniform contracting procedures. The agency also appears in compliance with most federal procurement regulations and the main requirements of the state's two sets of laws for procuring services: 1) the personal service agreement statutes; and 2) the purchase of service statutes.

As mandated, the department's procedures for personal service agreements have been approved by the Office of Policy and Management. According to policy and management staff, DSS generally satisfies PSA paperwork and reporting requirements. Like many agencies, however, the department rarely submits written performance evaluations required for PSA contractors. Improved compliance with the performance evaluation requirement was emphasized in recent in-house training sessions for DSS contract staff.

The department, through its participation in the statewide POS project overseen by the Office of Policy and Management, has, as required, standardized sections of its contracts with human service providers. It has developed client-based outcomes and measures, approved by OPM, for inclusion in its POS contract documents. An internal POS task force, with assistance of policy and

management staff, is working to identify and address problem areas within agency contracting procedures. To date, recommendations from the task force have streamlined contract processing, thereby improving the timeliness of contract execution and payments to contractors.

As discussed in Chapter II, the percentage of department POS contracts with a July 1 start date that were executed in a timely manner has significantly increased since last year. Improvement in the technical quality and compliance of department contracts was also reported by the Office of the Attorney General (OAG). By law, the attorney general reviews all state agency contracts with a value of more than \$3,000 prior to their execution for legal sufficiency; deficient contracts are returned to agencies for correction. According to OAG staff, approximately 1,250 contracts from DSS were reviewed during FY 95-96. Only about 11 percent were returned for corrections versus 20 percent returned for correction during the prior fiscal year period.

DSS contract procurement activities, like those of other state agencies, are subject to various state and federal affirmative action and nondiscrimination provisions. As required, the department submits an annual report to the Commission on Human Rights and Opportunities (CHRO) on its efforts to contract with minority- and women-owned business enterprises (M/WBEs). DSS has requested technical assistance from the commission to improve its minority contracting performance. It has also participated in the Interagency Coordinating Council, an ad hoc group comprised of CHRO and other state agency representatives that serves as a forum for addressing small and minority business contracting issues.

Compliance with the statutory requirement to notify CHRO of all major contract awards has been inconsistent according to department staff. As discussed earlier, the commission does not routinely review compliance with the notification requirement for any agency at this time and was unable to comment on the performance of DSS.

The department has complied with goal-setting requirements related to the state's small business set-aside program for the current year although last year, neither goals nor quarterly progress reports were submitted, as mandated by statute to the Department of Economic and Community Development (DECD). Since DECD does not monitor agency compliance with the provisions of the set-aside program, it was unable to report on the performance of the social services department. Whether DSS or any state agency is notifying the economic development commissioner of all contracts to be set aside, another statutory requirement, is also unknown.

From its research, the committee concluded the Department of Social Services generally follows required policies and procedures when contracting for outside services. However, compliance needs to be improved in several areas, particularly regarding cost analysis of proposed services, documentation of the procurement process, affirmative action monitoring, and implementation of the small business set-aside program. The committee also identified ways to enhance performance of DSS contracting functions by strengthening accountability, establishing

competitive procurement as a policy for direct human services; and reassessing field staff resources. Specific committee recommendations and the findings that led to them are outlined in detail below.

Accountability

As of result of the department's continuing efforts to complete consolidation and regionalization of agency activities, contracting roles within the organization are still being defined. Primary responsibility for developing, administering, and managing agency contracts is dispersed among contract staff within the five regional offices and the various program units in the DSS central office. To improve accountability as well as efficiency, a single contact person for contracting matters has been designated within each regional office and program unit, as recommended by the internal POS task force. Single contacts are responsible for receiving and disseminating information about contracting and reviewing contract documents for final processing.

There is also some central oversight of contracting activities by the contract administration and purchase of service units within the department's financial management division. Whether functions currently carried out by these units could be decentralized in the future is under consideration within the agency. **The program review committee recommends, in accordance with procurement models, the department retain a single, central contract administration unit with clear authority to monitor compliance with procurement policies and procedures throughout the agency.**

A central unit is necessary not only as a source of support and technical assistance but as a single point of contact for other agencies, federal and state. By overseeing all contracting activities, the central unit can ensure affirmative action and set-aside program requirements are met, consistently handle legal issues related to contract language, and assure the integrity of the department's request-for-proposal process. A central repository of contract documentation is also need for audit purposes and to address complaints or other inquiries from the public.

A critical element for accountability is the development of an automated DSS contract information system. No comprehensive database is available to aid in tracking agency contracts at present. The internal POS task force is overseeing efforts to implement a contract information system but the project is seriously behind schedule. The initial phase of the system was expected to be in place in September 1996; it is now unlikely to be finished by January 1997. Once in place, the first part of the system will provide a database of contract information, monitor document processing and payments, and generate standard letters and certain reports (e.g., lists of contracts to be closed, delinquent contractor reports, etc.). It is unclear when the network intended to electronically link the regional and central offices, another aspect of the project's first phase, will be functioning. A schedule for the second phase, which adds performance data such

as outcomes and measures incorporated in contract documents to the system database, has yet to be set.

The program review committee recommends the department executive team make implementation of the automated contract management system a top priority and take steps to ensure the initial phase and network are operational by February 1, 1997. The executive team should also establish and enforce a schedule for implementing the remaining aspects of the system.

The contract management information system, which is being developed in-house, is an adaptation of a functioning OPM system for tracking justice grants. Much of the programming required to set up the system has been written and most of the computer equipment needed is in place. Implementation delays appear primarily due to a lack of leadership and project oversight. The DSS executive team has prompted the action needed to meet other high priority goals such as more timely contract execution by closely monitoring staff efforts through written progress reports and monthly team meetings. The program review committee believes this level of attention is necessary to ensure an automated contract database and network are available department-wide within the next few months.

The automated system, by including standard forms and correspondence, a communication network, and a single source of comprehensive, up-to-date contract data, should promote more efficient use of limited staff resources as well as consistency among offices and units. The reports produced by the system will significantly strengthen accountability for contracting functions by allowing the department to track: where in the execution or payment processes delays are occurring; whether necessary approvals have been received; how contracts are awarded and to whom; when contracts expire; and whether contractors are submitting reports and other paperwork as required.

Written policies and procedures are another way to hold agency staff accountable for compliance with contracting requirements as well as to maintain consistency among regions and units. No up-to-date manual exists at present to guide department contracting staff. The internal POS task force has identified development of a contract administration manual as a key task for the agency. Little progress beyond the establishment of some standard contracting correspondence and a routing checklist has occurred to date. No timetable for developing the manual has been set.

The program review committee recommends the Department of Social Services develop and distribute a contract administration manual for agency staff by May 1, 1997. Among the topics the manual should cover are: the roles and functions of contracting staff throughout the agency; guidelines for when and how to use various types of contracts and procurement methods; details on meeting internal and external reporting requirements;

standards for conducting contractor performance evaluations; and applicable code of ethics provisions for department employees.

As with the automated information system recommended above, the development of a staff contracting manual needs to be made a priority by DSS management. Building on existing materials and manuals from the predecessor agencies, the task should be able to be completed within a few weeks by a small workgroup comprised of DSS staff. Once it is produced, the central contract administration unit should be responsible for revisions, additions, and updates. At some point in the future, the manual could be added to the automated contract information system.

Monitoring by a central contract unit, an automated information system, and a comprehensive, up-to-date policy and procedures manual are among the internal mechanisms for checking department compliance with contracting requirements. As described in the committee's briefing materials, DSS is also held accountable through external review functions carried out by the Office of Policy and Management, the Office of the Attorney General, the Commission on Human Rights and Opportunities, the Auditors of Public Accounts, and, since February 1995, the governor's office.

A directive from the governor requires all agencies to submit contracts for outside services with a value over \$5,000 for review and authorization prior to execution. The social services department, partly because of the large volume of contracts it administers, periodically sends the governor a list of contracts under negotiation rather than complete contract documents. The lists briefly describe the contract purpose, identify the contractor(s), and note the funding source and contract amount, procurement method, and the location of services.

As of November 1, 1996, very few or no DSS contracts have been disapproved by the governor. However, the process can and has caused delays in contract execution. Department records show a 10 day turnaround time generally for lists submitted during May to October 1996, but at one point in July, the approval time was 26 days.

Participation of the governor's office in contracting decisions prior to execution can raise questions about the integrity of the agency's award process. Although contract review and approval is within the governor's legal authority, the committee believes it dilutes the department's accountability for contract award decisions. **Therefore, the program review and investigations committee recommends the governor's office revise its review process to require agencies to submit information on contracts awarded by state agencies at the same time the contract documents are sent to the OAG for execution.**

Under the committee's recommendation, the governor's office would receive the same contracting information from DSS and other agencies but execution of contract documents would proceed unless specific objections were raised about a particular case. According to staff from

the governor's office, the primary purpose of their review is to keep the governor informed of what agencies are contracting for and how much money is being expended for contracted services. This purpose can still be achieved through the process proposed by committee and with less chance of compromising an agency's contracting decisions.

Documentation

Program review committee staff reviewed a random sample of about 50 contract files maintained in the five DSS regional offices. The files generally contained the minimum required information related to contract development and execution. They rarely included any indication of how a contractor was selected or why the particular procurement method was used. This is partly due to the fact that the majority of contracts reviewed were "historic" procurements, an agency term for the refunding of a current contractor.

Files related to contracts awarded through a request-for-proposal process since January 1994, which are maintained by the central office contract administration unit, were also reviewed. In most cases, the contractor selection process was well-documented, but the RFP files varied in quality. Procurement information was incomplete in the one-third of the 27 contract files examined.

In accordance with good contracting practices and federal requirements, the procurement history of each department contract should be documented. **The program review and investigations committee recommends standards for the contents of a contract file, including what materials are needed to document the procurement history of the contract, be developed and included in the agency's contract administration manual recommended above. The program review committee further recommends files for contracts awarded through a request-for-proposal process include documentation of the commissioner's action on the evaluation team recommendation.**

Information contained in well-maintained contract files may become necessary if legal questions over contract provisions or the selection process arise at a later point. Documentation of the selection process followed can also prove useful to future procurements of the same or similar types of services.

Currently, when the department contract is awarded through a request for proposal, a memorandum summarizing the process and the evaluation committee's ratings of the proposals submitted is forwarded to the commissioner. Draft letters to the recommended successful and unsuccessful proposers, which the commissioner can sign if she concurs with the evaluation committee, are attached. The commissioner's acceptance or rejection of the committee's recommendation is not recorded in any other way. The program review committee believes separate documentation of the commissioner's action is required to insure a complete paper trail of the contracting process.

Cost Analysis

Federal procurement regulations and good contracting practices call for cost or price analyses in connection with every procurement action. According to federal regulations, cost analysis involves review and evaluation of each cost element to determine reasonableness and allowability. Price analysis is a simpler process, generally involving comparisons of submitted quotations, market prices, or similar cost indicators.

The program review committee staff found little evidence of independent cost estimation or analysis in the agency contract files it reviewed. According to DSS staff, costs are analyzed to some extent in most cases but the process is informal and rarely documented. In addition, it appears the informal DSS analysis is usually limited a review of historic and proposed funding levels. In an RFP process, comparison of the prices submitted by each proposer is generally the extent of the evaluation committee's cost analysis.

The program review committee recommends the Department of Social Services establish cost and price analysis as a standard step in its service contracting process. Guidelines for carrying out cost and prices analyses should be developed and included in the staff contract administration manual recommended above.

Notes from evaluation team members in several RFP files reviewed by committee staff mentioned the lack of comparable cost data as a weakness of their review process. Independently prepared cost estimates would aid in contract negotiations, especially for sole source or single proposer situations.

Established cost analysis methods are described in the procurement literature and could be adapted for use by department staff. The type of analysis should vary with the complexity of the contract. Acceptable methods outlined in the literature and used in other jurisdictions are as simple as compiling and comparing costs of comparable services in other states to conducting a detailed analysis of each cost element (e.g., salaries, fringe benefits, overhead, equipment, etc.) of a proposed scope of work.

Competitive Procurement Policy

In testimony to the program review committee, the Department of Social Services stated it is strongly committed to open competition, believing competition is essential to securing the best services at the best price. Few DSS contracts with outside service providers, however, are competitively awarded. Although the agency awards hundreds of contracts each year, less than 30 requests for proposals have been issued by DSS since January 1994.

The majority of the agency's contracts are with human service providers, typically nonprofit entities, who may have been selected initially on competitive basis but now are refunded each year the program they operate is renewed. In some cases, program funds are limited to certain providers or types of entities by federal or state mandate. Most federally funded programs for the elderly, for example, must be administered by area agencies on aging.

Competition for contracts may also be restricted by the fact there may be just one qualified provider of a critical service, such as an emergency shelter, in some areas of the state. The department may also be committed to the continued funding of certain service providers if the facilities they operate were developed with state capital funds (e.g., emergency shelters, neighborhood centers, etc.) .

Despite these limitations, the program review committee believes the department has more opportunities to use competitive processes to select providers of direct human and other services. Information compiled by DSS at the request of committee indicates contracts for at least half of the programs it administers could be awarded through open competition. Of the 55 program categories researched by agency staff, 22 permitted open competition, 3 allowed competition at the commissioner's discretion, 5 involved limited competition, and the remainder (24) restricted the types of providers who could be awarded contracts.

Fiscal Year 97 funding allocation and procurement method information, available for 46 of the 55 programs, was also reviewed by committee staff. The 46 programs, which range from before and after school care, to energy assistance, to elderly meal services, involve almost 700 different contracts with a total value of almost \$130 million. Just over half of the funds, 54 percent, were allocated to 25 programs where contractors can be selected through open or limited competition. The 21 programs with restrictions on who can be awarded contracts accounted for 44 percent of total funding allocation.

The program review and investigations committee recommends the Department of Social Services establish a formal, written policy that states open competition is the agency's preferred method for selecting service providers. The policy should identify which types of programs and services are subject to competitive procurement methods. Written justification whenever noncompetitive methods are used should also be required. General standards for competitive procurement methods should be developed and included in the agency contract administration manual.

All procurement models, the National Association of State Purchasing Officials, and the American Bar Association Model Procurement Code recommend contracting systems establish competition as the preferred procurement method. By state statute, most personal service agreements must be awarded through a competitive process unless an agency receives a waiver from the Office of Policy and Management.

One goal of the POS project is open competition for new and current service contracts. A workgroup of OPM staff and several human service agency representatives plans to develop standards, time frames, and guidelines for implementing a competitive procurement process for POS contracts. Little progress has been made to date, however, and there is nothing to prevent agencies from pursuing this objective on their own.

In developing policy on competitive procurement for service contracts, DSS needs to address the costs and benefits of competitive methods and set standards for when they should be used. An RFP process is time-consuming -- optimally, it can take at least four months to complete -- and can be expensive for both the requesting agency and potential contractors. Furthermore, DSS has had mixed success in generating responses to its requests for proposals. As described previously, in three of the 27 RFP processes staff reviewed, only one proposal was received although a number of contractors expressed initial interest.

There are a variety of reasons for a poor response to an RFP. A vague or unclear description of the scope of work or unrealistically low fee ceiling can limit responses. The low maximum per client rate allowed contractors for the DSS job training (JOBS) program appears to be a major factor in the lack of responses to the department's requests for proposals for its JOBS contract. In another case, it seems competitors for a department contract to conduct a welfare reform evaluation declined to submit proposals when they learned a nationally recognized expert in area was planning to apply.

Another factor that can limit responses is inadequate notification or advertising. Committee staff research of RFP files showed the social services department makes adequate efforts to solicit proposals. Legal notices are routinely placed, in some cases other types of advertising are used, and notices are regularly sent to organizations and individuals included on the agency's "bidders' list."

A new way some states are soliciting bids and proposals from potential vendors and contractors is the use of on-line computer bulletin boards and the Internet. In Michigan, with the development of a new automated state accounting system, the purchasing office established an electronic bulletin board for its procurement announcements. User agencies electronically send their requisitions for goods and services to the purchasing office. (Human services contracts and construction projects are not included in the system at this time.)

The purchasing staff prepare the necessary documents (e.g., invitations to bid or RFPs) and add them to the electronic bulletin board. Potential contractors who subscribe to the system can dial in to search the announcements, which are organized by category, and print out materials of interest to them including RFP documents. A similar but more sophisticated system that covers contracts for human services is in place in the state of Oregon.

The program review committee believes an on-line procurement announcement system would benefit the contracting process of the Department of Social Services as well as other state agencies. **The committee recommends the Office of Policy and Management and the Department of Administrative Services (DAS) prepare a plan for an on-line procurement announcement system for goods and services purchased by all state agencies and submit it to the General Assembly by July 1, 1997. The plan should identify technical requirements, estimated costs, options for implementation, and a proposed implementation schedule.**

Automation of the solicitation phase of various state procurement processes has been under consideration by several agencies including the public works, administrative services, and economic development departments in recent years. The committee believes OPM, which has the authority and experience to carry out comprehensive planning and interagency coordination, and DAS, whose staff have purchasing and information system expertise, should take the lead to create an automated statewide system. By reviewing the systems in place in other states and the research already done by other state agencies, a task force of OPM and DAS staff should be able to complete the recommended study within several months. Another possible resource for assisting with this project is OPM's interagency purchase-of-service project advisory group.

At a minimum, an on-line procurement advertising system should reduce paper as well as mailing and copying expenses for the requesting agency. Announcements could be easily and quickly updated or amended and tracking of responses would also be facilitated. It may also be less costly for contractors to access information on upcoming procurements and submit responses electronically than by mail and telephone. An on-line notification system could be made easily accessible to firms of all sizes and in all locations. Easier and less costly access may promote participation in state procurement processes, especially by smaller businesses.

Staffing

When DSS was created in 1993, it included a central grants and contracts bureau responsible for developing, administering, and managing contracts. With the implementation of regionalization, most bureau staff were reassigned to regional offices or various program units, in proportion to the estimated contract workload. The reallocation of staff resources and responsibilities was based on recommendations from the agency's February 1994 internal task force report on regionalization of grants and contracts. The report also noted additional analysis and clarification of roles would be necessary following decentralization of grants and contract staff.

The program review committee found staffing levels in terms of currently filled positions are inequitable among the regions; in several offices available resources are obviously inadequate. In addition, contract administration positions lack job descriptions that accurately reflect their functions and duties. Nearly all the regional office contracting staff interviewed by the program

review committee staff noted their roles were not clearly defined and many stated they were unsure of the department's priorities. For example, the agency's emphasis on timely execution and prompt payment was viewed by some staff as a lack of concern for other functions such as contract management, performance monitoring, and needs assessment.

The program review committee recommends the department executive team immediately reassess the allocation of contracting staff throughout the agency to ensure a equitable distribution of resources. Workload standards should be adopted and the roles and priorities of contract administration personnel, especially those working in the field offices, should be defined in written job descriptions. Additionally, the department should continue to examine and implement ways to reduce the contract development workload of its field staff.

According to its 1994 regionalization plan, once contracting operations were decentralized as recommended, the department intended to reexamine resource allocation and other issues related to contract administration. The committee recommendation requires the agency to carry out its plan to clarify responsibilities and allocate staff based on actual contract administration experience. Workload inequities and ambiguous job descriptions need to be addressed before they create serious performance or morale problems.

DSS field staff interviewed by the program review committee estimated at least half of their time is spent on getting contracts in place and payments made, leaving the remainder for monitoring contractor performance, providing support and technical assistance, and assessing community needs and resources. To reduce the administrative burden on the contract staff, the department has started to institute multi-year contracts. A staggered procurement schedule intended to even out the contract workload through the year is in development. The automated contract information system and contract administration manual recommended earlier will also reduce the paperwork burden and improve the efficiency of the contract staff.

In the future, the department intends to use purchase orders rather than the POS contracting process for certain types of contracts that are actually pass-through funding such as rent subsidies paid to local housing authorities on behalf of certain elderly individuals. A review of POS contract data from May 1996 indicates this change could reduce the overall workload by over 40 rent subsidy contracts, half of which have values under \$1,000.

DSS is also exploring the possible use of some form of master contracts to reduce document processing workloads. For example, when the same community action agency is administering a number of different programs for the department, it may be more efficient to develop and execute a single comprehensive contract that outlines obligations regarding each program but contains just one set of boilerplate provisions.

The program review committee supports both initiatives. Once the agency establishes policies regarding the use of purchase order and master contracts they should be included in the contract administration manual recommended earlier.

Affirmative Action Monitoring

Contractors doing business with the state are required to comply with a number of nondiscrimination provisions, discussed in detail in the committee's September 1996 briefing materials. Under state law and regulations, contracting agencies are responsible for monitoring contractor compliance and reporting on their efforts in their affirmative action plans and updates submitted to the Commission on Human Rights and Opportunities.

At present, contractor compliance activities at DSS, like many state agencies, are mainly paperwork reviews. For example, department staff check to make sure contractors submit the required workforce analysis form. The completed form permits, among other things, a comparison of the contractor's employee demographics with relevant labor market area statistics. However, no systematic comparative analysis is conducted at present.

How to improve monitoring of contractor compliance in general and how to make better use of workforce analysis forms in particular are among the issues under discussion by the department's internal POS task force. The possibility of automating contractor workforce data, labor market statistics, and the process for comparing them is being explored. The task force is also considering a suggestion from the agency's affirmative action office that contract administration staff, who receive and initially review the forms, also analyze the data submitted to determine if contractors are in compliance. In the opinion of committee, a better approach is to centralize responsibility for this function.

The program review and investigations committee recommends the social services commissioner clarify the lead role of the agency's affirmative action office in monitoring contractor compliance and direct that office to take primary responsibility for analyzing contractor workforce data. Staff within the affirmative action office have the expertise and experience needed to evaluate whether contractors are compliance with nondiscrimination mandates and determine necessary corrective actions if they are not. To effectively evaluate contractor compliance, contract administration staff in the regions and program units would require training and guidance from the affirmative action office.

Furthermore, one provider can have contracts with several regional offices or department units; similarly, a single contractor can operate several types of programs for the agency. Centralizing responsibility promotes consistent treatment of contractors throughout the agency. It is also more efficient to have workforce analysis data and other affirmative action information submitted to and reviewed by a single office.

Small and Minority-Owned Businesses

The state small business set-aside law requires agencies to reserve 25 percent of their contracting budgets for competitive award to certified small businesses; 25 percent of that amount must be set aside for award to minority-owned small businesses. As discussed above, the Department of Social Services has failed to comply with certain provisions of the state small and minority business set-aside program. In addition, the department's relatively low use of minority and women contractors has also been of concern to agency management as well as the Commission on Human Rights and Opportunities.

The department has taken steps to improve its small and minority business contracting performance by requesting technical assistance from the commission. The program review committee believes the department's efforts to meet set-aside goals and aggressively solicit minority- and women-owned businesses as contractors are hindered by the failure of the Department of Economic and Community Development Department to carry out the set-aside program as mandated.

The department's directory of certified small and minority businesses is three years out of date. Guidelines for establishing set-aside goals have never been issued and no technical assistance or training on implementing the set-aside program has been offered to state agencies by DECD. The program is minimally staffed. Currently a program manager and an office assistant, aided during busy times by a temporary employee, are responsible for all program functions including certification of contractors and monitoring agency compliance.

According to DECD, organizational changes are underway at the agency. Plans for the set-aside program are still undetermined, however, and no time frame for completing the reorganization has been established. The publication date of a new directory has been repeatedly pushed back and now is reported as sometime in early 1997. Recommendations from the Interagency Coordinating Council to hold workshops and provide written guidelines for state agencies on how to comply with set-aside program requirements that were drafted in early summer have yet to receive an official response from the department.

The program review and investigations committee recommends the Department of Economic and Community Development publish an up-to-date, accurate directory of certified small businesses by February 15, 1997. The department should also begin monitoring agency compliance with annual goal and quarterly reporting requirements by June 30, 1997.

There is little incentive for departments to comply with reporting or other requirements when they are aware oversight agencies are not monitoring their efforts. At present, DECD is not fulfilling its statutory responsibility or enforcing a statutory mandate. If the failure to carry out these functions is a matter of resources, the department needs to evaluate current staffing

levels. Existing positions should be reassigned to the set-aside program if necessary or the agency should submit and justify a request to the legislature for increased appropriations to carry out its set-aside program duties.

Similarly, the committee recommends the Commission on Human Rights and Opportunities, by June 30, 1997, begin monitoring agency compliance with the statute requiring the commission be notified of the award of all major contracts within 10 days of execution. Current commission efforts to monitor contractor compliance are concentrated on state construction projects. According to CHRO staff, plans for overseeing service contracts are under discussion. No time frame for completing plans for or implementing a new monitoring process has been set at this time. The deadline included in the committee recommendation is intended to prompt the commission to take at least the initial steps toward its goal of better oversight of service contracts.

Appendix A

LEGISLATIVE PROGRAM REVIEW & INVESTIGATIONS COMMITTEE

**Findings & Conclusions:
Compliance Review of Department of Social Services
Section 8 Contract Process**

June 27, 1996

INTRODUCTION

In May 1996, the Legislative Program Review and Investigations Committee voted to undertake a study of how the Department of Social Services (DSS) awards contracts for services and the extent of agency compliance with required contracting policies and procedures. The study was prompted by a request from the Speaker of the House of Representatives that the committee examine the department's recent award of a contract to administer the statewide Section 8 rental subsidy program.

To address the Speaker's concerns, the committee directed its staff to immediately undertake a compliance review of the Section 8 contract process with the goal of developing findings before the current contract expired on June 30, 1996. Program review committee findings and conclusions concerning the Section 8 contract process, along with background information on the program, are presented below. The full study of DSS contracting procedures and policies will be completed before the end of the year.

Committee findings and conclusions concerning the Section 8 contract are based on materials related to the contract process as well as interviews with key participants. DSS procurement files and related documents were examined. Relevant federal and state procurement laws, regulations, and written guidelines were reviewed. Among the individuals interviewed were: DSS program and administrative staff responsible for the Section 8 contract; the DSS commissioner and the deputy commissioner for administration; several members of each of the two evaluation committees that reviewed proposals submitted in response to the department's RFPs; the staff person responsible for monitoring the Section 8 contract when the program was within the state Department of Housing; staff from the Auditors of Public Accounts and the Office of the Attorney General familiar with the Section 8 contract; and officials from the current contractor, Hartconn Associates, and the new contractor, the Connecticut Association for Community Action (CAFCA).

BACKGROUND: SECTION 8 PROGRAM

The Section 8 housing certificate and voucher program is a federally funded rental subsidy program for existing housing administered by the U.S. Department of Housing and Urban Development (HUD). The program's purpose is to assist low-income families, elderly individuals, and persons with disabilities obtain decent, safe, and sanitary rental housing through a system of subsidies.

Section 8 subsidies typically are equal to the difference between total rent charged and the tenant's contribution, calculated as 10 percent of unadjusted family income or 30 percent of adjusted gross family income minus a utility allowance, whichever is greater. Two types of subsidies, certificates and vouchers, are available and paid directly to landlords. At present the main difference between the subsidies is the unit rent and utility cost for certificate holders cannot exceed a HUD-established fair market rental limit while no limit exists on the rental payment of voucher holders.

The federal role in the program is primarily as a funding conduit. Each year HUD enters into agreements with public housing authorities, which can be state agencies as well as local entities, to operate the program. Funds are provided for administrative costs, which must be within HUD fee guidelines, as well as the actual subsidy payments passed through to the landlords of eligible households. The housing authorities are responsible for: determining initial and continued eligibility for Section 8 subsidies; determining the amount of assistance to be provided; inspecting rental units to assure conformance with HUD quality standards; and entering into contracts with and making payments to participating landlords.

Until recently, the statewide portion of Connecticut's Section 8 program was under the jurisdiction of the Department of Housing. In 1993, responsibility for the certificate and voucher program was transferred from the housing department to the Department of Social Services, a new agency created through the merger of the former Departments of Income Maintenance, Human Resources, and Aging. At the same time, the social services agency also assumed responsibility for Connecticut's rental assistance program (RAP), a totally state-funded subsidy program patterned after Section 8.

Over state fiscal years 95 and 96, the number of certificates and vouchers included under the DSS Section 8 program has averaged just over 2,600. Subsidies paid through the department's program in FY 96 totaled about \$16.6 million and \$15.8 million in FY 95.

Program Administration

The state Department of Housing administered the Section 8 certificate and voucher program in-house until 1989. At that time, the agency's administrative expenses for the program were exceeding the amount permitted under HUD guidelines. In an effort to reduce costs, DOH management decided to seek proposals from outside contractors. Through a competitive request-for-proposal process, Hartconn Associates was awarded a multiyear contract to administer the statewide Section 8 program.

The housing department had previously contracted with Hartconn to administer various components of the state rental assistance program. Hartconn, which was founded in 1984, is a private, for-profit housing consulting firm. In addition, it is both a state certified Minority Business Enterprise (MBE) and Woman Business Enterprise (WBE), making it eligible for participation in Connecticut's small business contracting set-aside program.

The original Section 8 contract with Hartconn has been modified several times, including a one-year extension and two six-month extensions after the program was transferred to the Department of Social Services. Hartconn's current contract with DSS expires on June 30, 1996. On July 1, 1996, the Connecticut Association for Community Action will assume responsibility for the statewide certificate and voucher program under a contract awarded by DSS in February 1996.

Among the services provided to the Department of Social Services by the Section 8 contractor under prior and current contract documents are:

- provide outreach services/recruit both tenants and landlords;
- maintain applicant waiting list;
- provide dispute resolution and counseling;
- certify and recertify family eligibility (interim and annual);
- conduct housing unit inspections and reinspections;
- calculate tenant contributions and issue landlord monthly checks;
- establish leases/contracts with landlords;
- develop and administer an applicant/participant appeal process; and
- coordinate with and make referrals to other housing and human service programs.

The Section 8 contract awarded in February 1996 specifically requires the contractor to implement the Family Self Sufficiency (FSS) Program in conjunction with the department. Under this program, a projected 150 families who currently receive Section 8 subsidies will be provided appropriate supportive services as well as incentives to promote self-sufficiency. A relatively new component of the Section 8 housing program, the Family Self Sufficiency Program is part of recent federal and state efforts to reduce the dependency of low-income families on welfare and housing assistance. Hartconn and DSS began implementing FSS in 1993 in response to HUD mandates.

OVERVIEW: DSS SECTION 8 CONTRACTING PROCESS

When the Department of Social Services assumed responsibility for the statewide Section 8 rental subsidies program in 1993, it also inherited the housing department's contract with Hartconn Associates to administer the program. The Hartconn Section 8 contract was due to expire June 30, 1994. After discussions with program and administrative staff, DSS Commissioner Rowe decided to extend the contract with Hartconn for one year. A new contract would then be awarded through a request-for-proposal (RFP) process, in accordance with state and federal requirements and the department's general policy of competitive procurement. Extending the current contract permitted agency staff more time to develop an RFP document and allowed for consideration of recommendations from the department's housing policy workgroup, due to the commissioner in July 1994.

Federal Requirements

The Section 8 contracting process, because of the program's federal funding, is subject to U.S. Department of Housing requirements. HUD policies and regulations do not specify a particular process but require states to follow the same procedures used for nonfederal procurements provided they conform to federal procurement standards. These standards include: full and open competition in all transactions; a contract administration system for assuring contractor compliance; a written code of conduct for employees involved in the award and administration of contracts; making awards only to responsible contractors; documentation of a contract's procurement history; protest procedures

for handling procurement disputes; and written selection procedures that ensure solicitations fully describe all technical requirements, conditions to be met, and all evaluation factors.

The HUD regulations outline permissible procurement methods, which include informal small purchase procedures, sealed bids, competitive proposals, and noncompetitive proposals, and when each method is to be followed. Another federal requirement for every procurement action is the performance of a cost or price analysis. The method and degree of analysis depend on the particular procurement situation but making an independent estimate before bids or proposals are received is a required starting point.

State Requirements

Procurement activities by the Department of Social Services are governed by three sets of state statutory requirements: 1) the purchase order system for commodities and routine contractual services such as laundry, printing, equipment maintenance, or security; 2) the personal services agreement (PSA) system; and 3) the purchase of service (POS) process, which applies to state agency contracts with private providers for human services. The DSS Section 8 contract, because it involves a human service program (housing assistance), was subject to the state's POS requirements.

POS procedures. The purchase of service process is an outgrowth of recommendations from the Commission to Effect Government Reorganization aimed at improving and standardizing the state system for purchasing human services. In accordance with legislation enacted in 1992, the Office of Policy and Management is establishing uniform policies and procedures for obtaining, managing, and evaluating human services purchased from private providers. To date, OPM, in conjunction with state agency representatives, has developed a standard POS contract format. One required element of the standard contract is the inclusion of client-based outcomes and measures for evaluating performance and holding contractors accountable. At this time, there is no specified POS procurement process but agencies are encouraged to use competitive methods to purchase human services.

As required, DSS employed the standard POS contract document for the Section 8 procurement. The department chose to follow its competitive proposal procedures, which comply with the personal service agreement statutes and are approved by OPM, to award the contract.

PSA procedures. The Office of Policy and Management, as mandated by the PSA statutes, has established standards for entering into a personal service agreement, which include provisions for: evaluating the need to use a PSA; developing a request for proposal; advertising for contractors; evaluating submitted proposals; selecting a contractor; monitoring and evaluating contractor performance; and documenting the selection and contract management process. All state agencies must follow the established PSA standards and were additionally required to develop and submit for OPM approval written procedures to implement the standards by July 1, 1994.

The PSA statutes also set forth what must be included in a request for proposal and the evaluation and selection process. By law, the RFP must include an outline of the work to be performed, required minimum qualifications, criteria for proposal review, format for proposals, and the submission deadline. Agencies must establish screening committees to evaluate submitted proposals. The committee must rank all proposals in accordance with the criteria stated in the RFP and submit the names of the top three proposers to the agency head, who must select the contractor from among those names.

Set-aside program requirements. State law also requires each state agency that contracts for goods, services, and construction projects valued at \$10,000 or more per year to set aside 25 percent of the average value of all contracts let over the previous three years for award, on a competitive basis, to certified small businesses. Of the amount set aside, 25 percent must be reserved for small businesses owned by minorities, defined as racial and ethnic minorities, women, and people with disabilities. To be eligible for certification as a small business, a contractor must have been in business in Connecticut at least one year and have gross revenues of \$10 million or less. The certification process for small business and those seeking designation as a minority-owned or a women-owned business enterprises (M/WBE) is carried out by the state Department of Economic and Community Development.

The department did not set aside the Section 8 contract procurement for either small or M/WBE contractors although it has reserved entire procurements for certified businesses in the past. According to DSS, one reason the Section 8 contract was not set aside was the likelihood only one certified minority/woman business enterprise, Hartconn, would be qualified to submit a proposal, thus eliminating the possibility of a competitive procurement process.

DSS Procedures

The request-for-proposal process the social services department typically follows is based on procedures developed and used by the former Department of Income Maintenance. The main steps are: evaluate the need for outside services; obtain approval to contract for services from the Office of Policy and Management; develop an RFP and scope of work; advertise the request for proposals; hold a bidders' conference; appoint a committee to evaluate submitted proposals; develop proposal evaluation criteria; receive and evaluate proposals; rank all proposals and submit the names of the top three proposers to the commissioner, who shall select one of the three; hold contract negotiations; and prepare and execute the contract. Unsuccessful applicants may, within 30 days of the signing of the resulting contract, request a meeting for a debriefing and discussion of their submissions.

The technical aspects of the process are carried out by department's contract administration unit within the financial management and operations division. The unit assists program staff, who have primary responsibility for developing RFP documents and evaluation criteria, provides support services to evaluation committees, and generally oversees the procurement process to insure legal and procedural compliance.

Section 8 Contracting Process

As discussed above, the department had decided to use an RFP process to award a contract to administer the statewide Section 8 program for a two-year period beginning July 1, 1995. By November 1994, a draft request-for-proposal document had been developed by DSS program staff in consultation with the contract administration unit and confidentially reviewed by others in the agency familiar with housing issues.

The Section 8 request-for-proposal was prepared in the department's standard format comprised of the following seven parts: 1) an introduction briefly describing the department and the program; 2) an overview of the procurement process; 3) the scope of work; 4) instructions for submitting a proposal; 5) the proposal evaluation process; 6) the "bid packet" (the set of documents such as the workforce analysis form, lobby certificate, etc., that proposers must complete and submit with their proposals); and 7) a checklist of all items required for submission (e.g., table of organization, resumes of key personnel, business proposal, audited financial statements, affirmative action policy, etc.).

The scope of work section of the final RFP stated proposals would be accepted from statewide or regional administrative entities. Special consideration would be given to organizations that demonstrated networking capabilities with community organizations including DSS regional offices and demonstrated previous experience administering housing assistance programs. The RFP noted proposals should present an understanding of the variety of clients served by DSS and strategies to insure a continuum of housing related services.

With the assistance of the contract administration unit, Section 8 program staff developed criteria for evaluating the proposals and the weight that would be given to each. Once the criteria were finalized, the contract administration staff, in keeping with unit policy, sent a copy to themselves in a sealed envelope via certified mail as evidence the criteria were determined before proposals were opened.

The 16 evaluation criteria were organized, as is typical, into three main categories: organizational capacity, covering staff, structure, and experience; project design, measuring a proposal's responsiveness to stated priorities, goals, and objectives; and business proposal, which is cost and budget information. A total rating of 400 points could be received, with organization criteria accounting for 25 percent, project design 50 percent, and cost 25 percent.

A team of four DSS staff including one person from the contract administration unit and three representatives of external housing organizations was appointed as an evaluation committee by the division head responsible for the Section 8 program. One of the outside members subsequently withdrew due to personal time constraints. As is standard practice, the six evaluation committee members were briefed by contract administration staff about the process, their duties, and their obligation to maintain the integrity of the process. All were required to sign confidentiality statements, another standard practice of the unit.

All of the evaluation committee members except for the contract administration staff person were familiar with housing issues and knowledgeable about Section 8 and other housing programs, at least on a policy level. One member had extensive experience with both the Section 8 and RAP programs as a housing coordinator, a field monitoring position that includes conducting unit inspections and checking subsidy rate calculations. Four of the committee members had financial analysis experience and three besides the contract administration representative had prior involvement in request-for-proposal processes.

The RFP was issued on January 6, 1995. A bidders' conference, which like all others was transcribed by a court reporter, was held on February 3, 1995. During the bidders' conference, department staff noted that since the RFP was distributed a new requirement for contract approval had been instituted by the governor's office. Effective February 1995, all executive agencies must submit all contracts for outside services over \$5,000 for review and approval by the governor's office as to need, cost and, and other issues, prior to contract execution.

Later in February, written answers to the questions raised at the bidders' conference or submitted in writing were sent out to the interested parties in keeping with the contract administration unit's standard procedures. The department also issued an amendment to the RFP that added a section concerning mandatory terms and conditions that was inadvertently left out of the original document.

A total of 11 responses were received by the proposal due date, March 3, 1995, which had been extended from the original deadline (February 28, 1995) by a second RFP amendment. The proposals were prescreened by contract administration staff and all were found to meet mandatory submission requirements (e.g., properly submitted, all required forms complete and included, all elements addressed and within the permitted page limits, etc.). The proposals and predetermined evaluation criteria were then sent to the evaluation committee members. The cover letter to the committee instructed members to only use the information provided in the proposal to determine their ratings and to record their scores prior to the formal meeting of the team.

The evaluation team met on two occasions, March 30, 1995, and April 10, 1995, to review proposals and discuss scores. As noted in the cover letter sent to all committee members, all items could be discussed, evaluators could revise scores if they wished based on committee discussions, and in the absence of consensus, scores would be averaged on any particular item.

Of the proposals received, six were for statewide administration and five were limited to certain regions. A regional proposal was received for all but one DSS region. As permitted under department procedures, the evaluation team determined more information was needed from the proposers and decided to schedule structured interviews with the three top-rated statewide and regional proposers. The interviews were held with six proposers on April 17, 1995.

The evaluation committee met on April 20, 1995, to discuss final ratings. A sheet summarizing the final individual and average scores was prepared and then signed by each committee

member. Like all summary sheets, the Section 8 form, which also contained notes on the key comments made by committee members, was retained in the contract administration unit's procurement file.

As Table 1 shows, of all the statewide proposers, Hartconn, the incumbent contractor, received the highest total score (309.93 points), but was almost matched (at 309.33 points) by the proposal submitted by the Community Renewal Team (CRT) in conjunction with two other community action agencies. Hartconn also received the highest technical score -- the combined points for organizational capacity and project design -- and submitted the highest price of the six statewide proposers. At 309.34 points, the highest rated regional proposal, which was submitted by the Danbury Housing Authority, was also extremely close to the Hartconn score.

Table 1. Proposals Submitted in Response to First RFP(1/6/95): Evaluation Results							
Proposer	Technical: Org. Capacity	Technical: Project Design	Combined Technical (280 . Pts.)	Business Proposal (120 Pts.)	TOTAL (400 Pts.)	Price Proposed	Type Proposal
L. Wagner	68.50	128.01	196.51	88.06	284.57	\$2,498,619	Statewide
HRFM	37.01	86.50	123.51	84.63	208.14	\$2,580,792	Statewide
CRT	61.16	139.34	200.50	108.83	309.33	\$1,822,166	Statewide
Hartconn	74.00	155.00	229.00	80.93	309.93	\$3,538,000	Statewide
Ct-Nahro	75.66	141.66	217.32	75.30	292.62	\$3,174,000	Statewide
Ct. Ho. Continuum	41.33	111.34	152.67	75.53	228.20	\$3,355,070	Statewide
Imagineers	74.01	133.50	207.51	83.83	291.34	\$1,031,995	Regional
Hartford H.A.	64.18	98.50	162.68	70.78	233.46	\$1,192,800	Regional
TVCCA	51.66	124.66	176.32	73.17	249.49	\$580,058	Regional
CTE/Stamford H.A.	71.00	150.68	221.68	77.90	299.58	\$289,118	Regional
Danbury H.A.	71.49	121.51	193.00	116.34	309.34	\$116,256	Regional

A memorandum summarizing the procurement process and the evaluation committee scores was prepared by contract administration staff and sent to the commissioner through the deputy commissioner for administration on June 7, 1995. Strengths and weaknesses of the various proposals were outlined and three options were recommended. One option was to select Hartconn to administer the program in three regions, provided the contractor increased the level of community involvement in the regions among other contingencies, and to award contracts for the northwest and southwest regions to the Danbury Housing Authority and CTE/Stamford Housing Authority, respectively. A second option was to award two contracts, a statewide one to Hartconn with the same contingencies, and a regional one to the Danbury Housing Authority. The third option, which was recommended if the department chose to award only one contract, was to select Hartconn, again with the same contingencies.

Upon review of the procurement memorandum, Commissioner Thomas, who took office in the midst of the selection process in February 1995, decided to withdraw the RFP and reissue a new one later in the year. Letters notifying all proposers of this decision were sent on June 13, 1995. According to the commissioner, her decision was based on the determination that none of the proposals satisfactorily coincided with the direction she believed the department should be taking in administering housing assistance programs. Commissioner Thomas told program review committee staff neither the RFP as written nor the proposals submitted in response to it reflected her desire that the agency's programs be linked together within the DSS regions and be consistent across the five regions.

In the meantime, the department made the decision to notify Hartconn of its intention to extend the current contract to administer the Section 8 program, which expired June 30, 1995, for another six months. The notification was sent on June 6, 1995. On June 9, 1995, Hartconn sent a reply stating a six-month extension was unacceptable. Although initially DSS considered operating the program in-house, a six-month extension was eventually negotiated with Hartconn and finalized on June 16, 1995. The extension also provided for an increase in the contractor's administrative fee due to additional work that would be required to address the effect of welfare reforms on Section 8 subsidies.

DSS program staff began work on a new RFP and by August 1995 draft documents were ready to send to each regional administrator for input. The final document was released on October 2, 1995. The most significant difference between the first and second requests for proposal was the addition of language that emphasized statewide service while stressing collaborative proposals and a strong regional presence, the commissioner's priorities, and a new section on regional perspectives. A new section concerning priority hiring of AFDC recipients also was added and the standard POS contract sections were included as an attachment.

Several new criteria were added to those used in the first RFP process and the weighting of the three main areas was slightly changed to 20 percent organizational capacity, 50 percent project design, and 30 percent cost. As before, a copy of the predetermined criteria was sent in a sealed envelope via certified mail to the contract administration unit. Although the RFP stated the maximum possible points as 500, it appears the points for one of the additional project design criteria was overlooked in computing this total. The actual total possible points was 525. All committee members, however, rated all of the criteria for all of the proposals and the miscalculation has only a minimal effect on the weighting of the three evaluation categories.

A bidders' conference was held on October 12, 1995. Few questions were asked but the department was requested to clarify how the first and second proposals differed and whether regional applications would be accepted. According to the transcript from the bidders' conference, unlike the first process, only statewide proposals would be accepted. Collaboration and strong regional ties were also stressed during the conference.

A new evaluation team was appointed consisting of a representative from each of the five DSS regions and a member of the central office Section 8 program staff. All of the committee members had some knowledge of housing programs and four had extensive experience with Section 8 and RAP programs as housing coordinators or social workers. At least two had participated in other RFP processes and all but one member had financial analysis, budget review and development, or internal auditing experience. The staff person from the contract administration unit who participated in the previous RFP process served as a nonvoting facilitator for the second committee. Like the previous evaluation team, members were briefed and required to sign confidentiality statements.

Four proposals were received by the November 2, 1995, due date. Three of the four proposers, including the incumbent contractor, had participated in the first process. The fourth proposal was a collaborative venture by CAFCA, the umbrella agency for the state's community action agencies, and six of its members: The Access Agency; Community Action Agency of New Haven (CAA-NH); The Community Renewal Team (CRT), New Opportunities for Waterbury (NOW), Norwalk Economic Opportunity Now (NEON); and Thames Valley Council for Community Action (TVCCA). CRT, in collaboration with NOW and CAA-NH, had submitted a statewide proposal and TVCCA had submitted a regional proposal in response to the first RFP.

Proposals were screened by contract administration staff and sent with the criteria to the committee members. The evaluation committee met on November 27, 1995 and completed its ratings that day. As Table 2 shows, the CAFCA proposal received the highest total score, the highest technical score, and contained the lowest price.

Table 2. Proposals Submitted in Response to Second RFP 10/2/95): Evaluation Results						
Proposer	Technical: Org. Cap. (125 Pts.)	Technical: Proj. Design (250 Pts.*)	Combined Technical (375 Pts.*)	Business Proposal (125 Pts.)	TOTAL (500 Pts.*)	Price Proposed
L. Wagner	84.50	179.18	263.68	93.83	357.51	\$1,956,539
Danbury H.A.	62.67	102.84	165.51	92.67	258.18	\$1,666,350
Hartconn	106.00	237.15	343.15	80.17	423.32	\$2,700,000
CAFCA	110.66	263.33	373.99	122.17	496.16	\$1,524,024

* Actual point values, when corrected for omitted score for one criterion, are: Project Design 275, Combined Technical 400, and Total Score 525.

Given the rapidly approaching expiration date of the Hartconn contract, DSS management decided to once again seek a six-month extension. In a December 5, 1995, letter, the department notified Hartconn of this intention, noting without the extension there would be insufficient time to complete the selection and negotiation process or allow for a transition period, if necessary. Hartconn, in a letter delivered December 15, 1995, informed the department that another extension

was unacceptable. However, the agency was able to negotiate the additional six-month extension with Hartconn by December 27, 1995.

A memorandum summarizing the second RFP process and results was prepared by the contract administration staff and sent to the commissioner through the administration deputy commissioner on February 5, 1996. The memorandum outlined the ratings given each proposal but did not contain specific recommendations. However, drafts of each proposer's notification of selection letter that were attached to the memorandum indicated the committee's recommendation to award the contract to CAFCA.

Notification letters were sent to all proposers February 28, 1996. Negotiations were conducted with CAFCA by contract administration staff and a final contract document was prepared. The contract contract, which has a one year term starting July 1, 1996, and ending June 30, 1997, was signed by the agency and the contractor on March 1, 1996, and executed upon approval by the Attorney General on March 7, 1996.

COMMITTEE FINDINGS AND CONCLUSIONS

Committee Findings of Fact

1. The Department of Social Services followed the steps of its established RFP procurement procedures to award the Section 8 contract. Major activities related to the Section 8 procurement were documented and outcomes were verifiable.
2. The withdrawal of the first RFP and reissuance of a second was unusual but fully within the department's authority. This authority was clearly stated under the "Rights Reserved" section of the request-for-proposal document.
3. Based on a comparison of the two request-for-proposal documents, the main change from the first to the second was the addition of several paragraphs to the section on scope of work. The new language strongly encouraged submission of collaborative proposals and emphasized the department's interest in a demonstrated knowledge of regional housing needs and statewide service with a strong presence in each service region.
4. Of the four proposals submitted in response to the second RFP, all were received within the required time frame, pre-screened by contract unit staff and found to satisfy the department's mandatory submission requirements.
5. The four proposals were evaluated in terms of organizational capacity, project design, and cost, both individually and collectively, by a six-person evaluation team. Significant differences in individual member ratings as well as the interpretation of the pre-established evaluation criteria were discussed, sometimes at length, by the committee. Members of the committee had knowledge of housing assistance programs, several had in-depth experience with the Section 8 and RAP programs

and the majority had experience reviewing program costs and budgets. Five of the six were representatives of the DSS regional offices and as such had a good understanding of regional operations, needs, and goals.

6. The proposal submitted by CAFCA in response to the second RFP was given the highest technical score -- 373.99 out of a possible 400 points -- of the four proposals rated by the evaluation committee. The Hartconn proposal received the second highest technical score, 343.15 points.

7. The contract price proposed by CAFCA, \$1,524,024, was the lowest of the four submitted in response to the second RFP. Hartconn's proposed cost, \$2,700,000, was the highest. The RFP document stated the statewide Section 8 program involved the administration of 2,776 certificate and vouchers over an 18-month period. Based on these assumptions, the proposed monthly administrative cost per file ranged from a low of \$30.50 for CAFCA, to \$33.35 for Danbury Housing Authority, \$39.16 for L. Wagner Associates, and a high of \$54.03 for Hartconn.

8. The administrative fee proposed by CAFCA was 44 percent less than the cost the incumbent agent, Hartconn, proposed and about 40 percent less than the administrative fee paid to Hartconn each year over the past two fiscal years (approximately \$1.7 million per year). According to the department, the savings in administrative fees resulting from the CAFCA contract can and will be used to fund additional rental subsidies. This plan has been discussed with HUD but has not received a formal response from federal officials at this time.

9. Hartconn's status as a certified M/WBE was not a factor in the Section 8 contract selection process and was not required to be.

10. Following the announcement of the contract award to CAFCA in March 1996, Hartconn requested a debriefing, as permitted under the department's RFP process, to discuss with DSS staff why its proposal was unsuccessful. However, Hartconn never contacted the department to schedule a debriefing meeting time. Hartconn officials told program review staff they believed nothing would be gained by a debriefing.

Committee Conclusions

1. The DSS Section 8 contract process generally complied with relevant state and federal procurement requirements. The process was not error free but mistakes that occurred, such as the absence of the section on mandatory terms and conditions in the first RFP document and the miscalculation of total evaluation scores in second RFP process, were minor and had no significant impact on the selection outcome.

2. The cancellation of the first RFP so late in the process, while permissible, was unfortunate. Time and effort of both agency staff and proposers was wasted and a hastily requested extension of the current contract was necessitated. Perceptions of irregularities in the process were also raised

by this uncommon step. However, the commissioner's action was understandable given that the request for proposal was developed without her input and reportedly did not adequately reflect her vision for the agency.

This experience seems to indicate the need for better transition planning and monitoring of contract time frames overall. The department's process for developing and signing off on request-for-proposal documents may also need improvement. Each of these functions will be examined in more depth in the next phase of the committee study.

3. Hartconn's performance was not an issue with the department. No evidence of dissatisfaction with the services provided was revealed in the program materials reviewed or interviews conducted by program review staff. The outcome of the selection process seems more reflective of policy shifts and state organizational changes that occurred since Hartconn was first awarded the Section 8 contract in 1989, along with Hartconn's significantly higher proposed cost.

During the time Hartconn administered the Section 8 program, responsibility for housing subsidies was transferred from an agency focused on providing housing (DOH) to a comprehensive social service entity committed to promoting family self-sufficiency (DSS). Welfare reforms including a reexamination of the role of housing assistance occurred at the state and federal levels. In the course of the initial RFP process, a new administration was elected, a new DSS commissioner was appointed, and the agency's movement toward regionalization expanded and intensified. Regionalization of services and, in many cases, administrative functions was the general direction of the department and, under the current commissioner, became a top priority of the agency's executive team. The second RFP clearly emphasized the department's interest in how a contractor would provide a strong regional presence.

5. Both RFP documents for the Section 8 contract, but especially the second, reflected the department's intention to incorporate housing assistance within its continuum of services model and to operate its programs within a regional framework. As a result, participation in the social service network, collaboration with community-based service organizations, and experience with integrated service delivery became key factors in selecting a Section 8 contractor. While Hartconn had a good record in carrying out the Section 8 program, the requests for proposal called for more than the effective administration of a housing assistance program.

6. Based on the materials presented, it was reasonable for the second evaluation panel to find the CAFCA proposal more responsive to the request for proposal than the Hartconn proposal. Review of the documents submitted shows that Hartconn devotes little attention or detail to agency concerns over collaboration, networking, and a strong regional presence. In contrast, the CAFCA proposal discussed them extensively.

Although a formal debriefing did not occur, review of the evaluation committee scores indicates the weaker areas of the Hartconn proposal. Both the Hartconn and CAFCA proposals received good technical scores overall; their ratings on individual technical criteria generally averaged

in the low 20s out of a possible 25 points. For all but two criteria, the Hartconn and CAFCA scores were within 4 points of each other. Hartconn scored higher than CAFCA on 3 of the 5 organizational capacity criteria including those for staff qualifications and experience. The CAFCA proposal consistently received higher scores on the 11 project design criteria, many of which were related to regional issues and collaboration.

7. All four proposers had experience with housing assistance programs, a requirement outlined in the RFP document. It appears the evaluation team considered Section 8 and state rental assistance experience to be essentially equivalent. Hartconn was the only proposer with statewide Section 8 experience. The housing experience of the community action agencies collaborating under the CAFCA proposal was limited to operating the state rental assistance program, a totally state funded program designed to mirror the federal Section 8 program..

Hartconn believes that state rental assistance program experience cannot be substituted for statewide Section 8 experience because of the federal program's more complicated reporting and program requirements as well as the frequency of changes in federal Section 8 policies and regulation. DSS acknowledges the Section 8 program is more complex than RAP but believes the basic functions are similar enough that with training, which has been arranged through the HUD-approved training program, and technical assistance from DSS central office staff, CAFCA will be able to successfully carry out the program. The department is also considering hiring a consultant on a short-term basis to help the two CAFCA participating agencies with lesser amounts of housing assistance experience develop their programs.

As several Department of Housing staff were assigned to work with Hartconn for about one year to help establish program operations when the first Section 8 contract was awarded, there is precedent for providing a new contractor with technical assistance. Department of Social Services central office staff have noted they will be closely monitoring of CAFCA's performance to ensure all contractual requirements are fulfilled, especially within the established cost parameters.

8. The evaluation committee determined CAFCA's cost was reasonable even though it was substantially lower than the administrative fee paid the incumbent Section 8 agent. No comprehensive price analysis was carried out by the committee and no independent estimate of a reasonable Section 8 administrative fee was prepared as part of the RFP process. The second Section 8 evaluation committee and DSS management apparently were satisfied the CAFCA price was realistic because it was fairly close to the next two lowest cost proposals and was comparable to fees paid to administer the state rental assistance program. As pointed out above, DSS staff intend to closely monitor whether CAFCA can fulfill its obligations at this price.

In the committee's opinion, after-the-fact monitoring is not a satisfactory substitute for thorough analysis of proposed prices and development of cost estimates before a contract is awarded. DSS staff report that extensive cost analyses of RFP submissions rarely occur and commented they would be costly and time-consuming to conduct. In general, evaluation committees rely on comparing proposed costs to determine if any prices are unrealistically high or low. When possible,

the department may compile information on fees paid for similar contractual services or for the similar programs in other states. The committee is concerned about the department's approach to analyzing proposed prices for contractual services in general and will be evaluating that function more fully in the next phase of the committee study.

9. In its FY 95 Minority/Women Business Enterprise Report, DSS cited the Section 8 contract with Hartconn as part of its commitment to the goals of the set-aside program. However, Hartconn's certified M/WBE status, as noted earlier, was not made a consideration for the Section 8 procurement process. The committee is concerned over apparent obstacles to DSS implementation of the M/WBE mandate (the nonprofit status of many of its outside service providers which makes them ineligible for set-aside participation, for example) and will be looking at this issue as part of the full study.

Appendix B

Agency Response



JOYCE A. THOMAS
COMMISSIONER

STATE OF CONNECTICUT

DEPARTMENT OF SOCIAL SERVICES

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January 17, 1997

Michael L. Nauer, Director
Legislative Program Investigations
and Review Committee
State Capitol
Room 506
Hartford, CT. 06106

Re: The Department of Social Services' Response to the LPR&IC Final
Report on the Contracting Process

Dear Mr. Nauer:

The Department of Social Services is pleased to have had the Legislative Program Investigations and Review Committee undertake a review of the Department's contracting process. I would like to thank the staff who conducted this review. Attention was given to detail, and consideration was shown for the very busy schedules of the Department staff involved in the contracting process.

The Department of Social Services welcomes the scrutiny of outside entities, particularly in this area, because we know that the Department's procurement process is sound and based upon good business practice. We also recognize that a fresh, unbiased review can sometimes provide a means to improve upon our solid foundation.

I have had an opportunity to review the recommendations that were set forth in the final report. These points were reviewed at our most recent Executive Team meeting. We have begun to modify our process to adopt several of the recommendations, and have plans relative to others. The recommendations made have been addressed as follows:

1. Central Contract Administration Unit: The Department presently has a central contract administration unit in the financial management division which has overall responsibility for Department contracts, procurements and contract compliance issues. The Department is reviewing the contracting responsibilities /functions of the regional

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contracting staff, but at the present time has no intentions of eliminating the central contract administration unit.

2. Automated Contract Management System: A pilot version of the automated Contract Management system was installed in the Department's Central Office Adult Services Division on January 16, 1997. Expansion of this system will occur as rapidly as possible, once testing is completed and the user revisions are made. The system, once it is viable, will be expanded by region and program as offices have access to the system through the LAN/WAN. I expect that this streamlined method of information-sharing will significantly improve communication between regional and central office staff.

3. Contract Administration Manual: The Department's Internal Purchase of Service (POS) Task Force has initiated work on a comprehensive Contract Administration Guide which will be available to all DSS staff. I expect that the guide will be complete by May 1, 1997, and will contain the topics as noted in the report in recommendations 3, 5, 6, and 7.

4. Review Process By Governor's Office: In compliance with the Governor's directive, the department is submitting a listing of all contracts for outside services with a value of over \$5,000. This review and authorization process has no time delay on the negotiations or execution of contracts. In the revised contract processing procedures, while the Governor's List is submitted, contract staff are beginning the initial negotiations of individual contracts based on the approved agency preliminary spending plans. Since the Governor's List approval process and the contract negotiation process are occurring simultaneously, there is no delay in the final contract execution. It should also be noted that the department and the Governor's office have worked closely together to expedite the approval process.

5. Contents of Contract File: See the response to recommendation number 3.

6. Cost and Price Analysis: See the response to recommendation number 3.

7. Open Competition: A fundamental tenet of government procurement standards is the guarantee of free and open competition. The Department is dedicated to maintaining the integrity of that tenet. To that end, the Department is reviewing additional programs and services that have not been subject to competition in order to identify additional competitive opportunities for Connecticut businesses. The specific circumstances and

the justification necessary to proceed on a sole source basis will be specifically addressed in the Contract Administration Guide.

8. On-Line Procurement Announcement System: The Department welcomes any initiative that would facilitate the procurement process and reduce paper work and expenditures.

9. Automated Contract Management System: See the response to recommendation number 2.

10. Contractor Compliance: While I agree that contractor workforce analysis data must be analyzed centrally within the Department of Social Services, I am troubled by the requirement itself, in that it may represent a duplication of effort for many of Connecticut's contractors. Centralizing the submission of the contractor's workforce analysis material within a single state agency for reporting and analysis purposes would be a more effective use of our scarce state staff. The current process results in multiple reports being submitted to multiple state agencies. In turn, these agencies may conduct multiple analyses and make multiple recommendations to the same contractor relative to the same workforce. The department would support any committee initiative that would reform the process by vesting this responsibility with a single entity on behalf of all agencies.

11. Certified Small Business Directory: The Department of Social Services remains firmly and aggressively committed to active participation in Connecticut's set-aside program. We have complied with the DECD set-aside goal-setting and reporting process during this fiscal year. We look forward to DECD's publication of its set-aside directory as set forth in recommendation 11.

In the meantime, we continue to work pro-actively with our vendor community to expand business opportunities for Connecticut's small, minority and women-owned businesses. As a re enforcement of our commitment, the Department will be publishing a notice soliciting DECD-certified small, minority and women-owned business enterprises for inclusion on this Department's list of potential bidders. The notice will be published this winter in periodicals focused toward minority and female circulations throughout Connecticut.

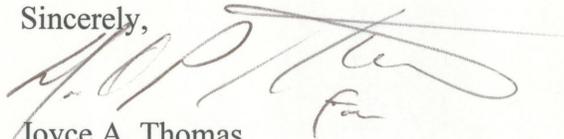
12. CHRO Contract Compliance Reporting: The Department's Contract Administration Unit has begun to complete the requisite CHRO Contract Compliance Reporting forms for each contract awarded with a value of \$5,000.00 or more. These forms, once completed, are forwarded

to the CHRO Supervisor of Contract Compliance within ten (10) business days after the execution of the contract by the Contractor and the Department of Social Services. We understand that the Commission on Human Rights and Opportunities will begin monitoring compliance with this process by June 30, 1997.

In closing, I want to again thank the Committee for a comprehensive and helpful report. The Department, as stated earlier, has begun to implement many of the report's recommendations and is in the process of putting others in place in an organized fashion.

Should you have questions or comments on any of the material contained herein, please do not hesitate to contact me at (860) 424-5008.

Sincerely,

A handwritten signature in cursive script, appearing to read "Joyce A. Thomas".

Joyce A. Thomas
Commissioner

MPS:KB:et

pc: Michael Starkowski, Deputy Commissioner
Sarah Miller, Deputy Commissioner
Carol Peterson
Marion Wojick



Peter N. Ellef
Commissioner

State of Connecticut
Department of Economic
and Community Development
505 Hudson Street
Hartford, CT 06106

January 17, 1997

Michael L. Nauer
Director
Legislative Program Review
and Investigations Committee
State Capitol Room 506
Hartford, Connecticut 06106-1591

Dear Mr. Nauer:

Thank you for providing me with a copy of the Legislative Program Review and Investigations Committee final report on the Department of Social Services contracting processes.

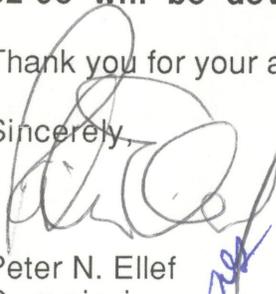
I appreciate having the opportunity to provide a formal agency response to the Committee's recommendation regarding the Department of Economic and Community Development in Chapter V on page 39 of the report.

Our formal response is as follows:

The Department of Economic and Community Development will complete and distribute a Set-Aside Directory to state agencies by March 15, 1997. A mechanism to monitor and record agency compliance with 32-9e will be developed by June 30, 1997.

Thank you for your assistance in this matter.

Sincerely,


Peter N. Ellef
Commissioner



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