

HOUSE BILL REPORT

HB 2738

As Reported By House Committee On:

State Government
Appropriations

Title: An act relating to state agency personal service contracting practices.

Brief Description: Giving the office of financial management oversight over state agency personal service contracting practices.

Sponsors: Representatives Dickerson, Clements, Romero and Miloscia.

Brief History:

Committee Activity:

State Government: 2/1/00, 2/4/00 [DPS];

Appropriations: 2/5/00, 2/8/00 [DP2S(w/o sub SG)].

Brief Summary of Second Substitute Bill

- Requires the Office of Financial Management to develop guidelines for the effective and efficient management of personal service and client service contracts.
- Requires agencies to follow the guidelines when entering into personal service or client service contracts.
- Requires the Office of Financial Management to provide training for state agency personnel entering into and managing personal service and client service contracts.

HOUSE COMMITTEE ON STATE GOVERNMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives McMorris, Republican Co-Chair; Romero, Democratic Co-Chair; Miloscia, Democratic Vice Chair; Dunshee; Haigh; Lambert and D. Schmidt.

Minority Report: Do not pass. Signed by 1 member: Representative Campbell, Republican Vice Chair.

Staff: Jim Morishima (786-7191).

Background:

State agencies enter into a variety of contracts, including contracts for personal services and client services. Personal service contracts are contracts with consultants to provide professional or technical expertise to accomplish a specific study, project, task, or other work statement. An example of a personal service contract would be a contract for a statistical analysis.

Client service contracts are a type of personal service contract. Client service contracts are contracts for services provided directly to agency clients including, but not limited to, medical and dental services, employment and training programs, residential care, and subsidized housing. An example of a client service contract would be a contract to provide job training programs to unemployed workers.

Most personal service contracts over \$20,000 must be competitively bid. Competitively bid personal service contracts must be filed with the Office of Financial Management (OFM). Certain competitively bid personal service contracts must also be approved by the OFM. Client service contracts are not subject to these requirements.

Summary of Substitute Bill:

The OFM must adopt uniform guidelines for the effective and efficient management of personal service contracts and client service contracts by all state agencies. The guidelines must cover subjects relating to effective and efficient contract management including accounting methods, performance measures, and contract monitoring.

Agencies entering into personal service and client service contracts after January 1, 2001, must follow the OFM guidelines. Agencies must provide the OFM with a report detailing the procedures used in entering into and managing the contracts. The OFM must conduct random audits of at least 50 contracts from multiple state agencies to ensure compliance with the guidelines.

The OFM must provide a training course on effective and efficient contract management. Beginning January 1, 2002, all agency employees executing or managing personal service or client service contracts must have completed the training. An agency may request an exemption from the training course requirement.

The attorney general and the state auditor must provide an annual report on contract audit and investigative findings, enforcement actions, and the status of agency resolution to the Governor and the Legislature.

Substitute Bill Compared to Original Bill: The substitute removes the requirement that the guidelines be adopted by rule; however, the guidelines must still be adopted. The substitute allows the OFM to exempt agency personnel from the training requirement. The substitute requires random audits of at least 50 agency contracts from multiple agencies; the original bill allowed the OFM to perform performance audits. The substitute adds a sunset review clause. The substitute requires the Attorney General and State Auditor to provide a report to the Governor and the Legislature. The substitute allows the OFM to exempt agency employees from the training requirements. The substitute removes the requirement that all client services contracts be filed with the OFM.

Appropriation: None.

Fiscal Note: Requested January 31, 2000.

Effective Date of Substitute Bill: The bill contains several effective dates. Please refer to the bill.

Testimony For: To save the state money on state personal service contracting, one agency must have oversight. This bill tightens up the contracting process by providing uniform guidelines for state agencies and will lead to cost savings and accountability.

Testimony Against: Agencies need guidance, not rules. This bill would remove needed flexibility for agencies in the area of client service contracts. The requirement that client service contracts be filed may impede the ability of agencies to deliver needed services.

Testified: (In support) Representatives Mary Lou Dickerson, Jim Clements, co-sponsors.

(In support with amendments) Gary Robinson, Office of Financial Management.

(In support with concerns) Linda Long, Deputy State Auditor; and J. Roach, citizen.

(Concerns) Jessica Jensen, Department of Social and Health Services.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on State Government. Signed by 32 members: Representatives Huff, Republican Co-Chair; H. Sommers, Democratic Co-Chair; Barlean, Republican Vice Chair; Doumit, Democratic Vice Chair; D. Schmidt, Republican Vice Chair; Alexander; Benson; Boldt; Clements; Cody; Crouse; Gombosky; Grant; Kagi; Keiser; Kenney; Kessler; Lambert; Linville; Lisk; Mastin; McIntire; McMorris; Mulliken; Parlette; Regala; Rockefeller; Ruderman; Sullivan; Sump; Tokuda and Wensman.

Staff: Mark Matteson (786-7145).

Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on State Government: The second substitute bill removes the requirement that the Office of Financial Management conduct random audits of the contracting practices of at least 50 personal service contracts and client service contracts from multiple state agencies on an annual basis. Instead, the Office of Financial Management is required to conduct risk-based audits of the contracting practices of personal service contracts and client service contracts, starting with at least six audits in fiscal 2001 and a statistically appropriate number on an annual basis thereafter.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Second Substitute Bill: This bill contains an emergency clause and takes effect immediately. The bill also contains several effective dates. Please refer to the bill. However, the bill is null and void unless funded in the budget.

Testimony For: This proposal is the result of the work of the Select Committee on Vendor Contracting, which convened a task force in 1998 to study current state contracting practices. The task force found that contracting practices work well in some departments and poorly in others. The latest report by the state auditor shows that some departments have millions of dollars in audit findings. The experience in Texas indicates that there are significant benefits when one department or office oversees contracting practices. While the fiscal note does not show savings from increased contract oversight, the state could potentially save millions of dollars.

Testimony Against: None.

Testified: Representative Mary Lou Dickerson, prime sponsor; and Representative Jim Clements.