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## State Government Committee

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### HB 1345

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

**Sponsors:** Representatives Dickerson, Clements, Romero and Miloscia.

#### Brief Summary of Bill

- Requires the Office of Financial Management to develop mandatory guidelines for the effective and efficient management of personal service and client service contracts by state agencies.
- Requires the Office of Financial Management to provide training for state agency personnel entering into and managing personal service and client service contracts.
- Requires the Office of Financial Management to conduct risk-based audits of the contracting practices associated with individual personal service and client service contracts.
- Requires the Attorney General and the State Auditor to provide an annual report on contract audit and investigative findings.

**Hearing Date:** 1/18/02

**Staff:** Marsha Reilly (786-7135).

#### 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. An example of a client service contract would be a contract to provide job training 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 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 management including accounting methods, performance measures, and contract monitoring.

Agencies entering into personal service and client service contracts after January 1, 2002, 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 risk-based audits of personal service and client service contracting practices, starting with at least eighteen audits in fiscal year 2002 and a statistically appropriate number on an annual basis thereafter.

The OFM must provide a training course on effective and efficient contract management. Beginning on January 1, 2003, 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.

**Rulemaking Authority:** No express authority.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Section 1 takes effect immediately; sections 2 and 3 take effect January 1, 2002, and the remaining sections take effect ninety days after adjournment of session in which bill is passed.