

HOUSE BILL REPORT

HB 1345

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: 1/18/02, 1/24/02 [DPS];

Appropriations: 2/5/02, 2/7/02 [DP2S(w/o sub SG)].

Brief Summary of Second Substitute 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 as deemed appropriate, based on funding provided.
- Requires the Attorney General and the State Auditor to provide an annual report on contract audit and investigative findings.

HOUSE COMMITTEE ON STATE GOVERNMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Romero, Chair; Miloscia, Vice Chair; McMorris, Ranking Minority Member; McDermott, Schindler, Schmidt and Upthegrove.

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 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 management including accounting methods, performance measures, and contract monitoring.

Agencies entering into personal service and client service contracts after January 1, 2003, 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 2003 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, 2004, 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:

Corrections to the dates are made.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: Section 1 takes effect immediately; sections 2 and 3 take effect January 1, 2003, and the remaining sections take effect ninety days after adjournment of session in which bill is passed.

Testimony For: The services described in the bill are already being doing due to a budget proviso. This is simply to put it in statute. This is sound contract management. Several provisions were in the budget. Guidelines were revised and republished, the training is done, curriculum is being developed for four more classes, and risk-based audits are being conducted at three agencies. Contracting oversight is needed. It is vital to have defined and assigned expectations.

Testimony Against: None.

Testified: (In support) Representative Dickerson, prime sponsor; Susan Johnson, Office of Fianancial Management; and Linda Long, Office of the State Auditor.

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 24 members: Representatives Sommers, Chair; Doumit, 1st Vice Chair; Fromhold, 2nd Vice Chair; Sehlin, Ranking Minority Member; Alexander, Buck, Clements, Cody, Cox, Dunshee, Grant, Kagi, Kenney, Kessler, Linville, Lisk, Mastin, McIntire, Pearson, Pflug, Ruderman, Schual-Berke, Talcott and Tokuda.

Staff: Linda Brooks (786-7153).

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 a minimum of 18 risk-based audits in fiscal year 2003 and a statistically appropriate number of risk-based audits in each year thereafter. Audits will be conducted as deemed appropriate by the director of the OFM based on funding provided.

Appropriation: None.

Fiscal Note: Requested on second substitute bill on February 13, 2002.

Effective Date of Second Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: These contracting practices are current practices that we want to put into policy. The Office of Financial Management promotes sound contracting practices and fully supports the bill with Rep. Clements' amendment.

Testimony Against: None.

Testified: Representative Dickerson, Prime sponsor; and Susan Johnsen, Office of Financial Management.