

**TESTIMONY PRESENTED TO THE  
GOVERNMENT ADMINISTRATION & ELECTIONS COMMITTEE  
February 21, 2007**

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**RAISED BILL NO. 1181  
AAC PERSONAL SERVICE AGREEMENTS**

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Senator Gayle Slossberg, Representative Christopher Caruso and distinguished members of the Government Administration and Elections Committee, my name is Gale Mattison. I am the Executive Financial Officer of the Office of Finance, within the Office of Policy and Management (OPM). I thank you for the opportunity to speak to you today in support of Raised Bill No. 1181, *An Act Concerning Personal Service Agreements*. OPM recommends its passage, with certain modifications.

***Personal Service Agreements***

To begin, I would like to address those sections of the bill that concern personal service agreements (PSAs).

The bill makes technical changes in the PSA reporting requirements. Current statutes require that agencies submit a report about their PSA activity to the Secretary of OPM on a semi-annual basis (specifically, in January and July of each year).<sup>1</sup> The Secretary of OPM, in turn, is required to submit a summary report of this information to the General Assembly on an annual basis.<sup>2</sup>

This bill eliminates the requirement that State agencies report to OPM on a semi-annual basis about their PSA activity. In the opinion of OPM, this reporting requirement is no longer necessary with the implementation of Core-CT.

Since Core-CT went “live” in July 2003, State agencies have been required to enter all their contracting information into the new “core” system. OPM now has the ability to tap into the system and generate a summary report that captures the PSA activity of each State agency. Having OPM generate the summary report is clearly more efficient than having sixty-five-plus (65+) State agencies generate their own individual reports, submit

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<sup>1</sup> C.G.S. Sections 4-214(b), 4-215(b), and 4-218(a)

<sup>2</sup> C.G.S. Section 4-218(c)

them to OPM, and then have OPM compile this information into a summary for the legislature. Moreover, when OPM runs the report, using the same [identical] parameters for all agencies, the reliability and validity of the results will be greatly improved.

In summary, under this bill, State agencies would no longer be required to report to OPM. Using Core-CT, OPM would generate a summary report of the PSA activity of the State agencies and would submit the report to the legislature on an annual basis.

### *Purchase of Service*

Now I would like to address those sections of the bill that concern the purchase of service (POS).

C.G.S. 4-70b requires the Secretary of OPM to “establish uniform policies and procedures for obtaining, managing and evaluating the quality and cost effectiveness of human services purchased from private providers.” Further, the Secretary of OPM is to “ensure that all state agencies which purchase human services comply with such policies and procedures.”

We believe that the current statutory language is insufficient for OPM to carry out its growing oversight responsibilities for POS contracting. Raised Bill No. 1181 differs in certain ways from our original proposal. We strongly recommend that three important changes be made to this bill. Therefore, we support Raised Bill No. 1181 with the following modifications:

- Section 6(a)(1):

#### *Proposed language change:*

"Purchase of service" means a contract between a state agency and a private provider organization or municipality entered for the purpose of obtaining direct health and human services for agency clients. ~~"Purchase of service" does not include contracts between a state agency and a vendor or individual for administrative or clerical services, material goods, training, or consulting services;~~ Such a contract shall not be used for the exclusive purpose of obtaining administrative or clerical services, material goods, training, or consulting services and shall not be used for contracts with individuals.

#### *Comment:*

We believe this modified definition clarifies the nature and appropriate use of POS contracts and distinguishes them from PSAs (which are used to contract with individuals) and from other agreements between the State and municipalities. POS contracts may have some administrative components, but the primary purpose is to obtain the direct delivery of health and human services.

- Section 6(a)(5):

*Proposed language change:*

"Private provider organization" means a nonstate entity that receives funds from the state, including state, federal or other funds, to provide direct health or human services to agency clients. "Private provider organization" ~~does not include~~ includes any nonprofit or proprietary corporation or partnership.

*Comment:*

The modified definition of private provider organization does not exclude the nonprofit organizations that are party to over 90% of our current 2000 POS contracts that total \$1.5 Billion.

- Section 6(d):

*Proposed language change:*

The standard policies and procedures described in subsection (c) of this section shall include, but not be limited to, (1) standard purchase of service contract language, (2) cost, budgeting and reporting standards, and (3) other provisions necessary to manage the health and human services contracting process. Purchase of service contracts are subject to the competitive procurement provisions of Section 4-212 et seq. of the Connecticut General Statutes.

*Comment:*

The modified language is consistent with the Attorney General's opinion and is an important statement of the openness and transparency that OPM promotes in POS contracting. Without the inclusion of this sentence, there is no statutory requirement for competitive bidding.

Finally, since OPM requires agencies to enter all POS contract data into Core-CT, we are now able to provide more detailed and current contracting information than in the past. Therefore, we support aligning POS/PSA reporting requirements and agree that OPM should report annually to the General Assembly on POS contracting, including contractor information, services description, contract terms and cost, contractor selection method, total payments to contractor in preceding fiscal year, and the amount of federal or private funds allocated to these payments.

In conclusion, POS contracting has evolved administratively and grown significantly since 1992. Passage of Raised Bill No. 1181 is an important step that will clarify and codify POS contracting and OPM's authority and responsibility to establish uniform policies and procedures for the purchase of human services.

Thank you for this opportunity to speak to you today. I will be happy to answer any questions you many have.

<< END >>

## ATTACHMENT 1

### *Purchase of Service – Background*

Since C.G.S. 4-70b was enacted in 1992, OPM has pursued multiple efforts to develop standards for the long-term and evolving contractual relationship between state agencies and private sector providers of human services. A key accomplishment has been to replace individual agency contracts with standard contract language based on common agency provisions and best practices. We continue to work with the Office of the Attorney General to modify our standard contract template as new requirements arise.

Other major administrative efficiencies include increasing the number of multi-year contracts for those services that remain constant and the use of master contracts. Master (or consolidated) contracts are agency contracts with a single provider for multiple program services within that agency. Agencies are also exploring the possibility of entering into multi-agency agreements with a single provider for program services that cross agency lines.

In 2005 the Attorney General issued an opinion stating that there is no legal distinction between a PSA and a POS contract, although OPM may choose to establish administrative procedures treating them differently. This opinion clearly stated that POS contracts are subject to competitive procurement provisions of C.G.S. 4-212 et seq. As a result of this opinion, OPM established administrative requirements and procedures similar to the existing PSA review and approval process. Since 2006, state agencies are required to submit requests for POS contracts, amendments to contracts, and requests for waivers from competitive bidding to OPM for review and approval.

The AG's opinion is available on the AG's website at  
<http://www.ct.gov/ag/cwp/view.asp?A=1770&Q=306482>

In September 2006, OPM released a new policy for state-wide cost accounting standards. For over a year, OPM worked with contract management staff from six human service agencies and representatives of the Connecticut Nonprofit Human Service Cabinet and the CT Society of Certified Public Accountants to produce standards that are appropriate for state agencies, reasonable for providers, and auditable. The standards define and enumerate allowable and unallowable costs, including Administrative and General (A&G) costs, and require documentation of all allowable administrative costs in a formal cost allocation plan. A phased implementation is underway and all POS contracts in effect on or after July 1, 2007 must comply with these new cost standards.

The cost standards are available on OPM's website at  
[http://www.opm.state.ct.us/finance/pos\\_standards/coststandards.htm](http://www.opm.state.ct.us/finance/pos_standards/coststandards.htm)

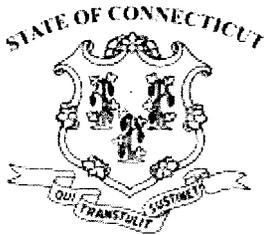
## ATTACHMENT 2

OPM Markups – *see the following highlighted sections:*

Section 6(a)(1)

Section 6(a)(5)

Section 6(d)



General Assembly  
January Session, 2007

***Raised Bill No. 1181***

LCO No. 4361

\*04361 \_\_\_\_\_ GAE\*

Referred to Committee on Government Administration and  
Elections

Introduced by:  
(GAE)

### ***AN ACT CONCERNING PERSONAL SERVICE AGREEMENTS.***

Be it enacted by the Senate and House of Representatives in General Assembly  
convened:

Section 1. Section 4-212 of the general statutes is repealed and the following is  
substituted in lieu thereof (*Effective October 1, 2007*):

As used in sections 4-212 to 4-219, inclusive:

(1) "Competitive negotiation" means a procedure for contracting for services in  
which (A) proposals are solicited from qualified persons, firms or corporations  
by a request for proposals, and (B) changes may be negotiated in proposals and  
prices after being submitted.

(2) "Personal service contractor" means any person, firm or corporation not employed by the state, who is hired by a state agency for a fee to provide services to the agency. The term "personal service contractor" shall not include (A) a person, firm or corporation providing "contractual services", as defined in section 4a-50, to the state, (B) a "consultant", as defined in section 4b-55, (C) a "consultant", as defined in section 13b-20b, providing services to the Department of Transportation, (D) an agency of the federal government, of the state or of a political subdivision of the state, or (E) a person, firm or corporation providing consultant services for information and telecommunications systems authorized under subdivision (5) of subsection (c) of section 4d-2.

(3) "Personal service agreement" means a written agreement defining the services or end product to be delivered by a personal service contractor to a state agency, excluding any agreement with a personal service contractor that the state accounting manual does not require to be submitted to the Comptroller.

(4) "Secretary" means the Secretary of the Office of Policy and Management.

(5) "State agency" means a department, board, council, commission, institution or other executive branch agency [of the Executive Department] of the state government.

Sec. 2. Section 4-214 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2007*):

(a) Each personal service agreement executed on or after July 1, 1994, and having a cost of not more than twenty thousand dollars and a term of not more than one year shall be based, when possible, on competitive negotiation or competitive quotations.

(b) Not later than [thirty days after the end of each six-month period, beginning with the six-month period ending on December 31, 1994, each state agency shall submit a report to] October 1, 2007, and annually thereafter, the secretary shall submit a report to the General Assembly indicating (1) for each personal service agreement described in subsection (a) of this section that [is] was executed by a state agency during the [six-month period] preceding fiscal year, the name of the personal service contractor, a description of the services [to be] provided, the term and cost of the agreement and the method of selecting the contractor, and (2) for each personal service agreement described in said subsection (a) that [is] was in effect during the [six-month period] preceding fiscal year, the amount of all payments made during [the six-month period] such fiscal year to the

contractor, by fund, and the amount of any federal or private funds allocated for such payments.

Sec. 3. Subsection (b) of section 4-215 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2007*):

[(b) Each state agency shall submit the following information to the secretary concerning each proposed personal service agreement described in subsection (a) of this section, at the same time that it submits the agreement to the Commissioner of Administrative Services or the Attorney General: The name of the personal service contractor, a description of the services to be provided, the term and cost of the agreement, the method of selecting the contractor, the state fund from which the contractor will be paid and whether any federal or private funds will be allocated for such payments.]

(b) Not later than October 1, 2007, and annually thereafter, the secretary shall submit a report to the General Assembly indicating (1) for each personal service agreement described in subsection (a) of this section that was executed by a state agency during the preceding fiscal year, the name of the personal service contractor, a description of the services provided, the term and cost of the agreement and the method of selecting the contractor, and (2) for each personal service agreement described in said subsection (a) that was in effect during the preceding fiscal year, the amount of all payments made during such fiscal year to the contractor, by fund, and the amount of any federal or private funds allocated for such payments.

Sec. 4. Section 4-218 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2007*):

(a) Not later than [thirty days after the end of each six-month period, beginning with the six-month period ending on December 31, 1994, each contracting agency shall submit a report to] October 1, 2007, and annually thereafter, the secretary shall submit a report to the General Assembly indicating (1) for each personal service agreement executed by a state agency during [such six-month period] the preceding fiscal year with a person, firm or corporation providing "contractual services", as defined in section 4a-50, to the state, a "consultant", as defined in section 4b-55, or an agency of the federal government, of the state or of a political subdivision of the state, (A) the name of the person, firm or corporation, (B) a description of the services [to be] provided, (C) the term and cost of the agreement, and (D) the method of selecting the person, firm or corporation, and (2) for each such agreement either executed or otherwise in effect during the [six-month period] preceding fiscal year, (A) the amount of all payments made

during [the six-month period] such preceding fiscal year to the person, firm or corporation, by fund, and (B) the amount of any federal or private funds allocated for such payments. No state agency utilizing contractual services hired by using a purchase order approved and committed by the State Comptroller shall be required to submit a report to the secretary.

(b) Not later than thirty days after the end of each [six-month] twelve-month period, beginning with the [six-month] twelve-month period ending on [December 31, 1995] June 30, 2007, the Department of Transportation shall submit a report to the secretary indicating (1) for each agreement executed during such [six-month] twelve-month period with a "consultant", as defined in section 13b-20b, or an agency of the federal government, of the state or of a political subdivision of the state, (A) the name of the person, firm or corporation, (B) a description of the services to be provided, (C) the term and cost of the agreement, and (D) the method of selecting the person, firm or corporation, and (2) for each such agreement either executed or otherwise in effect during the [six-month] twelve-month period, (A) the amount of all payments made during the [six-month] twelve-month period to the person, firm or corporation, by fund, and (B) the amount of any federal or private funds allocated for such payments.

(c) Not later than [September 1, 1995] October 1, 2007, and annually thereafter, the secretary shall submit a report to the General Assembly summarizing information received pursuant to subsection (b) of this section [4-214, subsection (b) of section 4-215, subsection (a) of section 4-216, and subsections (a) and (b) of section 4-218] for the preceding fiscal year.

Sec. 5. Section 4-70b of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2007*):

(a) The Secretary of the Office of Policy and Management shall establish an Office of Finance under the direction of an executive financial officer. The secretary shall assist the Governor in his duties respecting the formulation of the budget and the correlating and revising of estimates and requests for appropriations of all budgeted agencies and shall also assist the Governor in his duties respecting the investigation, supervision and coordination of the expenditures and other fiscal operations of such budgeted agencies.

(b) Said secretary shall direct internal management consultant services to state agencies in such areas as administrative management, facility planning and review, management systems and program evaluation and such other special studies and analyses as he deems necessary.

[(c)The secretary shall establish uniform policies and procedures for obtaining, managing and evaluating the quality and cost effectiveness of human services purchased from private providers. The secretary shall ensure all state agencies which purchase human services comply with such policies and procedures. The secretary shall report to the General Assembly on or before January 1, 1994, and biennially thereafter, on the system for the purchase of such services in the state. The report shall include an analysis of (1) the relationship between the number of providers of a particular service in a region and the cost of the service and (2) the impact of the state's policies and procedures for the purchase of human services on the cost of purchasing such services.]

Sec. 6. (NEW) (*Effective October 1, 2007*) (a) For purposes of this section:

**"Purchase of service" means a contract between a state agency and a private provider organization or municipality [entered] for the purpose of obtaining direct health and human services for agency clients. ["Purchase of service" does not include contracts between a state agency and a vendor or individual for administrative or clerical services, material goods, training, or consulting services;] Such a contract shall not be used for the exclusive purpose of obtaining administrative or clerical services, material goods, training, or consulting services and shall not be used for contracts with individuals;**

(2) "Secretary" means the Secretary of the Office of Policy and Management;

(3) "State agency" means any department, board, council, commission, institution or other executive branch agency of state government;

(4) "Municipality" means a town or any other political subdivisions of the state, including any local board of education or health district that is created or designated by the town to act on behalf of the town; and

**(5) "Private provider organization" means a nonstate entity that receives funds from the state, including state, federal or other funds, to provide direct health or human services to agency clients. "Private provider organization" [does not include] includes any nonprofit or proprietary corporation or partnership.**

(b) No state agency may hire a private provider organization or municipality to provide direct health or human services to agency clients without executing a purchase of service contract with such providers.

(c) The secretary shall establish standard policies and procedures for obtaining, managing and evaluating the quality and cost effectiveness of health and human

services purchased by state agencies from a private provider organization or municipality. Not later than January 1, 2008, each state agency shall establish written procedures implementing the standards established by the secretary and submit such procedures to the secretary for approval. If the secretary disapproves an agency's procedures, the secretary shall return the procedures to the agency with recommendations for revision. On and after July 1, 2008, no state agency may execute a purchase of service contract unless the secretary has approved procedures established by the agency under this section.

(d) The standard policies and procedures described in subsection (c) of this section shall include, but not be limited to, (1) standard purchase of service contract language, (2) cost, budgeting and reporting standards, and (3) other provisions necessary to manage the health and human services contracting process. Purchase of service contracts are subject to the competitive procurement provisions of Section 4-212 et seq. of the Connecticut General Statutes.

(e) Not later than October 1, 2007, and annually thereafter, the secretary shall report to the General Assembly on the purchase of human services in the state. Such report shall include for each purchase of service agreement either executed by a state agency or otherwise in effect during the preceding fiscal year with a private provider organization or municipality providing health and human services to the state, (1) the name of the contractor, (2) a description of the services provided, (3) the term and cost of the agreement, (4) the method of selecting the contractor, (5) the amount of all payments made during the preceding fiscal year to the contractor, by fund, and (6) the amount of any federal or private funds allocated for such payments.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2007</i>	4-212
Sec. 2	<i>October 1, 2007</i>	4-214
Sec. 3	<i>October 1, 2007</i>	4-215(b)
Sec. 4	<i>October 1, 2007</i>	4-218
Sec. 5	<i>October 1, 2007</i>	4-70b
Sec. 6	<i>October 1, 2007</i>	New section

***Statement of Purpose:***

To change the process and timing for the filing of reports concerning personal service agreements executed by state agencies and the process for purchase of service agreements.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*

