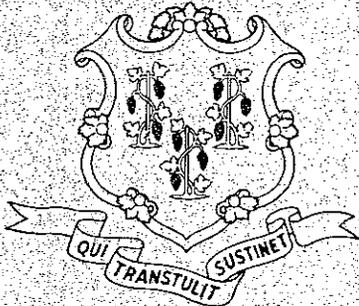


# USE OF PROFESSIONAL CONSULTANTS BY STATE AGENCIES

Connecticut

General Assembly



LEGISLATIVE  
PROGRAM REVIEW  
AND  
INVESTIGATIONS  
COMMITTEE

January 1989

## 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" performance reviews. The committee was given bill raising and reporting authority 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 of those members.

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BY CONNECTICUT STATE AGENCIES**

**LEGISLATIVE PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE  
JANUARY 1989**

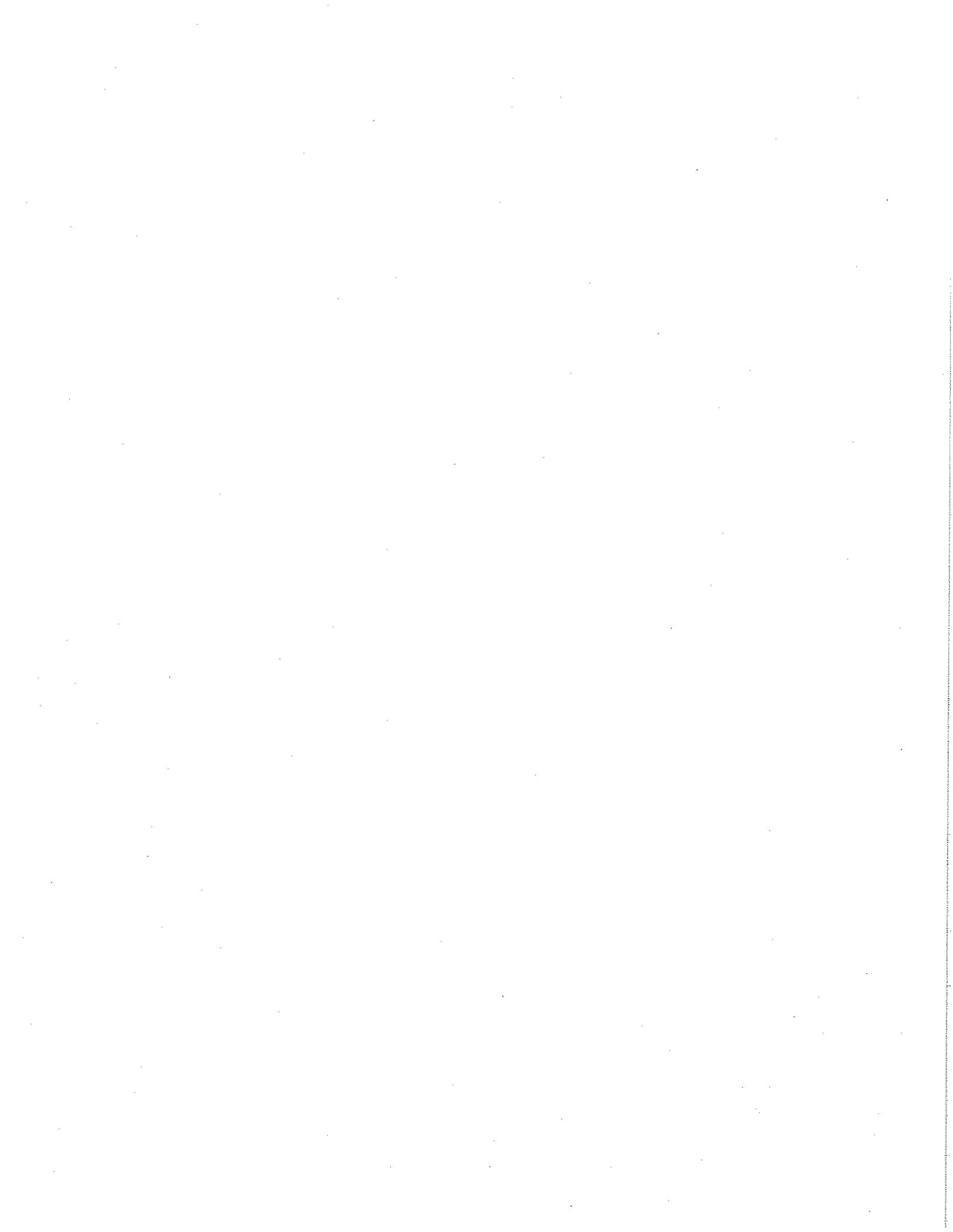


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## USE OF PROFESSIONAL CONSULTANTS BY CONNECTICUT STATE AGENCIES

### SUMMARY

The Legislative Program Review and Investigations Committee's examination of state agency use of outside professional consultants revealed major deficiencies in how consultant services are procured and managed. Most conspicuous is the absence of statutory or regulatory guidelines governing agency procurement of consultant services. Furthermore, there is insufficient oversight of agencies' procurement decisions by an independent authority. Finally, there is inadequate information available on consultant contract awards and services on both a state and agency level. Thus, an agency has relative autonomy when contracting for professional services with no checks and balances on the appropriateness of the expenditure.

Taken in combination, these deficiencies lead to a lack of accountability in the present system. Agencies have virtually complete control over consultant selection method, price, and work to be performed. This is a major concern, particularly since there was a total of 1,048 active consultant contracts in state FY 88 having a total value in excess of \$93,225,000. The program review committee also identified 132 electronic data processing (EDP) consultant contracts with a face value of approximately \$59,232,000. These amounts are not contract expenditures for FY 88, but rather total contract values. For example, a contract that began in 1986, but was still active in 1987, would be included in the total value amount.

The program review committee had two objectives in developing recommendations. The first was to outline in statute a process for obtaining and managing consultant services that would not be overly restrictive, but would provide a framework that could be followed by all state agencies. The second objective was to centralize the responsibility for refining, implementing, and overseeing the process outlined in statute for selecting, managing, and evaluating consultant services in the Office of Policy and Management (OPM). Below are the recommendations adopted by the committee in December 1988.

### RECOMMENDATIONS

1. Consultant" shall be defined to mean an individual or organization outside of state government hired for a fee to provide professional advice or services to the state under a contract or agreement that defines the end product to be delivered. The term does not refer to independent contractors

that provide routine professional services on an ongoing basis to state agencies or their clients or that operate programs in lieu of state agencies.

2. Before a state agency can solicit a consultant the agency must develop a Request For Proposal (RFP). The RFP, at a minimum, must outline the work to be performed, the qualifications individuals or firms must have to be eligible to respond, the format that must be followed in responding, and the date by which responses must be received to be eligible for consideration.

Before a state agency can select a consultant the agency must establish a screening committee to develop criteria for evaluating responses to the RFP. This committee shall rank all responses and submit the top three rankings to the agency head who shall be responsible for making the final selection.

If less than three complete responses to an RFP are received and the value exceeds \$18,000 in the 1990 state fiscal year, and an equivalent inflation adjusted dollar value in each succeeding state fiscal year, then the consultant selection shall be treated as a sole source procurement and subject to all the procedures applicable to that process. The GNP price deflator for state and local services shall be used in making the adjustment for inflation.

If less than three complete responses to the RFP are received and the value of the resulting contract is less than \$18,000 in the 1990 state fiscal year, and an equivalent inflation adjusted dollar value in each succeeding state fiscal year, then the agency head is authorized to select a consultant without seeking approval from the Office of Policy and Management. The GNP price deflator for state and local services shall be used in making the adjustment for inflation.

3. The Office of Policy and Management shall develop standards no later than September 1, 1989, for the selection and management of consultant services. At a minimum, these standards should address and define:

- agency evaluation of consultant need;
- Request for Proposal (RFP) development;
- selection method;
- advertising for consultants;
- agency evaluation of proposals submitted;

- systematic agency monitoring of consultant performance;
- systematic agency evaluation of services delivered; and
- agency documentation of the process followed.

4. Each state agency shall develop written procedures that, at a minimum, detail how the agency will meet all statutory requirements and the standards developed by the Office of Policy and Management. The written procedures shall be submitted for approval to OPM by January 1, 1990. After March 31, 1990, a state agency without an approved plan shall be prohibited from paying for consultant services without the specific written consent of the secretary of OPM.

5. If a proposed contract for consultant services exceeds \$18,000 in the 1990 state fiscal year, and an equivalent inflation adjusted dollar value in each succeeding state fiscal year, and the contracting agency has not received three complete responses to its RFP, the agency must obtain a written waiver from the secretary of the Office of Policy and Management before it can enter into the contract. To obtain a waiver, the contracting agency must demonstrate to the satisfaction of the secretary that it undertook all reasonable means to obtain at least three responses to its RFP or that the requested service can only be provided by a single source. The GNP price deflator for state and local services shall be used in making the adjustment for inflation.

In addition, OPM shall develop criteria that detail under what circumstances an agency may obtain a waiver for sole source contracts.

6. An agency must obtain OPM approval for contract amendments under the following conditions:

- if the value of the amendment exceeds 100 percent of the original contract value;
- if the amendment exceeds \$40,000 in the 1990 state fiscal year, and an equivalent inflation adjusted dollar value in each succeeding state fiscal year using the GNP price deflator for state and local services; or
- all second and subsequent dollar amendments to contracts.

7. Beginning with the period January 1, 1990, through June 30, 1990, and for every six-month interval thereafter, agencies shall submit and the Office of Policy and Management

shall compile a report on consultant contracts awarded. The report shall contain:

- consultant names;
- contract costs;
- contract lengths;
- short descriptions of services to be provided; and
- short descriptions of anticipated consultant service needs for the following reporting period.

The Office of Policy and Management shall publish and distribute the report to all state agencies within 60 days of the close of the reporting period.

The Office of Policy and Management shall identify agencies with similar anticipated consultant needs and seek where possible to coordinate and consolidate projects between and among those agencies.

8. Beginning with the period April 1, 1990, through September 30, 1990, and for every six-month interval thereafter, agencies shall submit and the Office of Policy and Management shall compile a report for each completed consultant contract, including:

- consultant name;
- contract cost;
- date work completed;
- selection method used;
- description of service provided; and
- contact person for more information.

OPM shall publish and distribute the report to all state agencies within 60 days of the close of the reporting period.

Within 60 days of the completion of a consultant contract, the agency shall submit an evaluation of the consultant performance to OPM. The Office of Policy and Management shall review the evaluation and develop a list of contractors determined to have performed in an unsatisfactory manner. This list should be circulated to state agencies and made available to the public upon request.

## CHAPTER 1

### INTRODUCTION

In February 1988, the Legislative Program Review and Investigations Committee authorized a study of outside consultant use by state agencies. The scope of the review covered three areas: 1) a description of the consultants used, the type of services provided and the amounts expended by the state; 2) an explanation of the process(es) in place to procure and manage consultant services; and 3) recommendations to insure that quality consultant services are obtained at a reasonable cost in a fair and timely manner and that there is accountability in the procurement system.

Chapter 2 contains a narrative on the process currently followed by state agencies to select and manage professional consultant services. Although data were collected concerning design professional consultants, i.e. architects and engineers, they have been excluded from the current analysis because studies have been done in recent years on the design professional selection and management process. In addition, unlike other consultants, a fairly detailed process is outlined in statute concerning their hiring. Procurement of electronic data processing (EDP) consultant services is discussed separately since procedures governing their use differ from all other types.

Following the narrative, Chapter 3 presents statistical information collected on active FY 88 consultant services at both an agency and statewide level. Lastly, Chapter IV contains findings and recommendations adopted by the Legislative Program Review and Investigations Committee concerning procedures governing selection and management of consultant services by state agencies.

#### Methodology

Program review committee staff reviewed available literature regarding government consultant use. Interviews with state agency personnel responsible for overseeing consultant usage were held and staff reviewed all active FY 88 contracts for consultant services. In addition, a comprehensive survey was mailed to the heads of 53 state agencies requesting detailed information about general procedures followed by their agencies and specific contracts for EDP and other services. Agencies were selected to complete the survey on the basis of whether or not they had active consultant contracts in FY 88. A copy of the survey is contained in Appendix A and a list of agencies who completed the survey is included in Appendix B.

## Definition

No definition of the term "consultant" is contained in Connecticut statutes. In reviewing the literature and conducting interviews, the program review committee found that the term has a variety of meanings. In order to be consistent when collecting data on consultants, the program review committee developed a definition.

The program review committee defined a consultant, for the purposes of this study, as an individual or organization outside of state government hired for a fee to provide professional advice or services to the state under a contract or agreement that defines the end product to be delivered. The term does not refer to independent contractors that provide routine professional services on an ongoing basis to state agencies or their clients or that operate programs in lieu of state agencies.

When the term consultant is used in this report, it uses this definition. Examples of consultant services include:

- o management, legal, environmental, or financial advice and assistance;
- o automated data processing advice and assistance, including system design, development, conversion, analysis, and related programming;
- o preparing plans, reports, or manuals;
- o conducting research or studies, internal audits, financial audits, and program evaluations; and
- o communications advice and assistance, including public relations, advertising, and publicity.

Examples of consultant services NOT included in the committee definition are:

- o routine health, educational, or legal services provided to clients of state agencies;
- o architectural, engineering, and other design services; and
- o direct operation of programs such as the state lottery and vehicle emissions testing.

A breakdown of the categories by types of services (i.e., management, training, etc.) provided may be found in Appendix C.

## CHAPTER 2

### CONSULTANT PROCUREMENT PROCESS

Specific procedures outlined in statute for hiring consultants apply only to outside design professionals for Department of Administrative Services (DAS) capital projects and for the Department of Transportation. With the exception of a few basic elements, therefore, the process for selecting and managing professional consultants varies from agency to agency. A few agencies have well defined internal procedures for selection, but most have no written procedures at all.

The major policy guiding procurement of consultant services for state agencies is the Comptroller Memo No. 84-35, a document developed jointly by the Office of Policy and Management, the Office of the Attorney General, the Department of Administrative Services, and the Office of the Comptroller in 1984 to clarify and simplify the processing of contracts, including those for personal services. However, the focus of these procedures is on contract and payment processing; no provisions apply to the budgeting, selection, or contract negotiation/development phases of the hiring process. The steps required under the memo are outlined in Figure II-1.

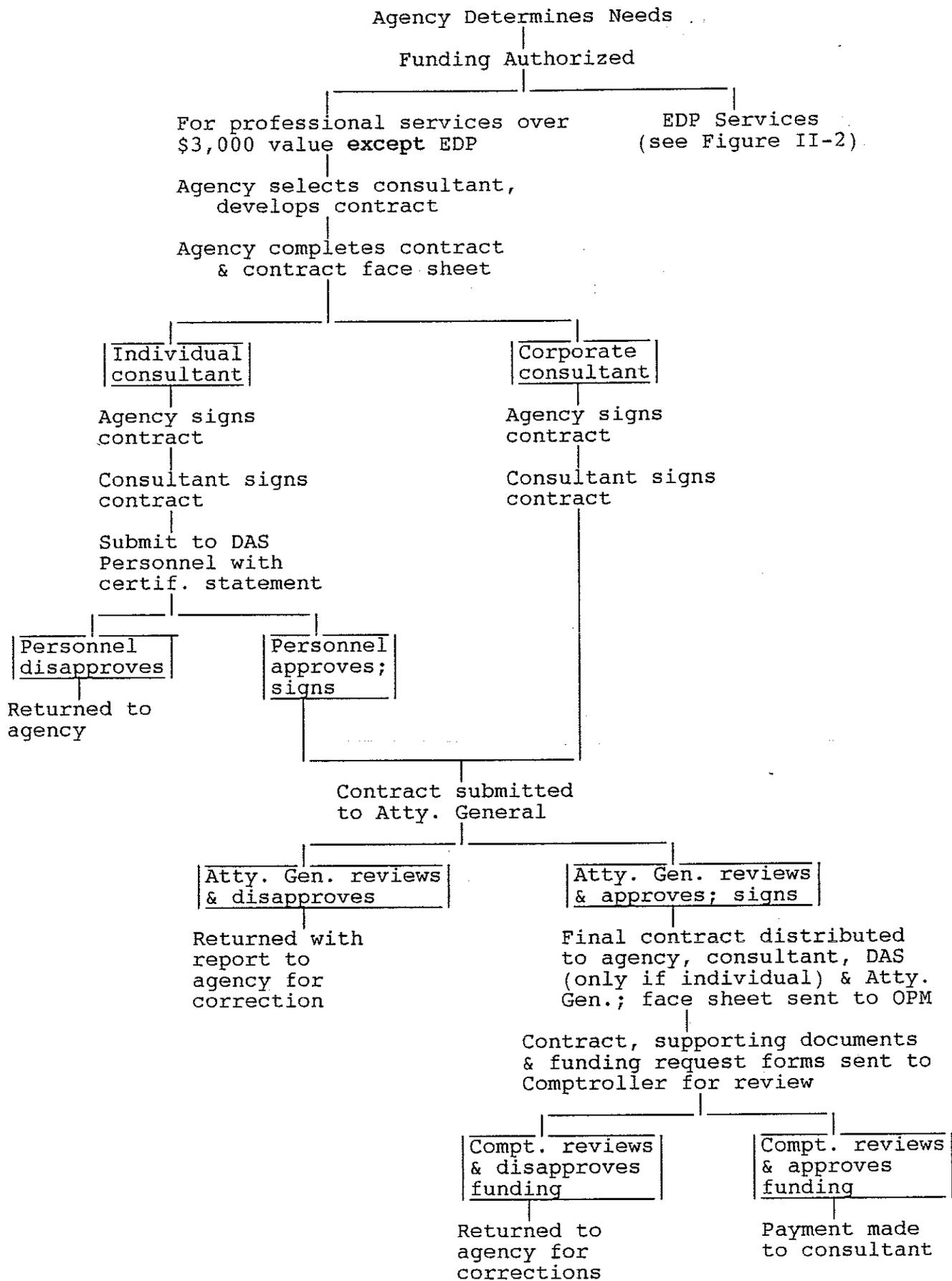
Authority to hire consultants is implicit in the statute describing department head powers (C.G.S. Sec. 4-8). Current law gives most department heads enormous discretion in contracting for professional services, but there are certain basic steps that must be followed by agencies as shown in Figure II-1. All professional consultant services, except those involving EDP, must be contracted for using a personal service agreement form, a copy of which is included in Appendix D. The discussion below excludes procedures specific to the Department of Administrative Services and the Department of Transportation design professionals. The process for EDP consultants is discussed separately.

Upon selection of an individual or organization by a department head, a personal service agreement form is completed and signed by the department head and consultant. Once signed, the document is submitted to the attorney general for approval of contract form and legality. Meanwhile, the agency must commit the funds in the comptroller's office prior to contract initiation. After the attorney general's approval, the comptroller's office receives a copy of the contract. The comptroller will not release payment to a contractor unless the attorney general's signature is on the personal service agreement and the agency has committed the proper funds.

As Figure II-1 indicates, through their general administrative, fiscal, or legal statutory mandates, four state

FIGURE II-1.

STEPS IN PROCURING A CONSULTANT



agencies -- the Office of Policy and Management, the Office of the Attorney General, the Department of Administrative Services, and the Office of the Comptroller -- have the following review and approval roles in the consultant hiring process. It should be stressed that there is virtually no content review of consultant usage by any of these agencies, once an agency's budget is approved by OPM. Instead, each is concerned only with technical aspects of the contract form and funding. Each agency's role is described in detail below.

Comptroller. The comptroller's office is responsible for verifying and processing payments for consultant contracts and has authority to approve or disapprove payments for consultant services. Agencies can incur obligations, such as payments for consultant services, only through the comptroller's commitment process, which is described in statute.

Comptroller Memo 84-35 and the state accounting manual detail the items reviewed during payment processing. The comptroller's review process focuses on compliance with processing requirements: assuring proper form (e.g., correct contract form, dates, and signatures); accounting (e.g., appropriate funds cited, and funds available) prior to making payment; and verification that payment is being made for the service authorized.

Department of Administrative Services. While procurement of most contractual services as well as personal property is governed by statute and centralized within DAS, this statutory process does not extend to consultant services. However, DAS does have a limited role in the process outlined in Comptroller Memo 84-35. DAS Bureau of Personnel must certify as to the necessity of obtaining personal services from an outside individual (not a firm or organization) rather than a classified state employee whenever the total contract cost will be \$3,000 or more.

Attorney General. By statute, the Office of the Attorney General has general supervision over all legal matters in which the state is a party (except criminal prosecutions). Therefore, through the contract review function, the attorney general has a role in the consultant hiring process.

The attorney general's staff only review and approve contracts that exceed \$3,000 within a 12 month period. The review focuses on the contract's legal sufficiency and not content.

Office of Policy and Management. In its role as the state budget agency, OPM oversees expenditures for all purposes including consultant services. Neither statute nor

policy require any special review or approval regarding the use of outside professionals.

Through a 1986 OPM policy letter, Comptroller Memo 84-35 was amended to no longer require OPM approval (i.e., signature on the contract form) of state agency contracts and agreements after April 1, 1986. The rationale behind this change was to reduce paperwork, save contract processing time, and grant department heads more authority and discretion in the administration of their agencies. The letter also reminds agencies that OPM's Management and Evaluation Division should be on their bidder's list for management consultant services. However, few agencies have complied with this requirement and it has not been enforced by OPM.

Another OPM policy does provide agencies with guidelines on the use of outside management consultants. The letter first defines outside consultants as those providing management advice. In essence, agencies are required to verify that all alternatives, both internal and no-cost external sources, have been explored and found to be unavailable prior to engaging an outside firm or individual to study and render professional management advice. However, interviews with OPM staff revealed that no effort is made to ensure compliance with this policy.

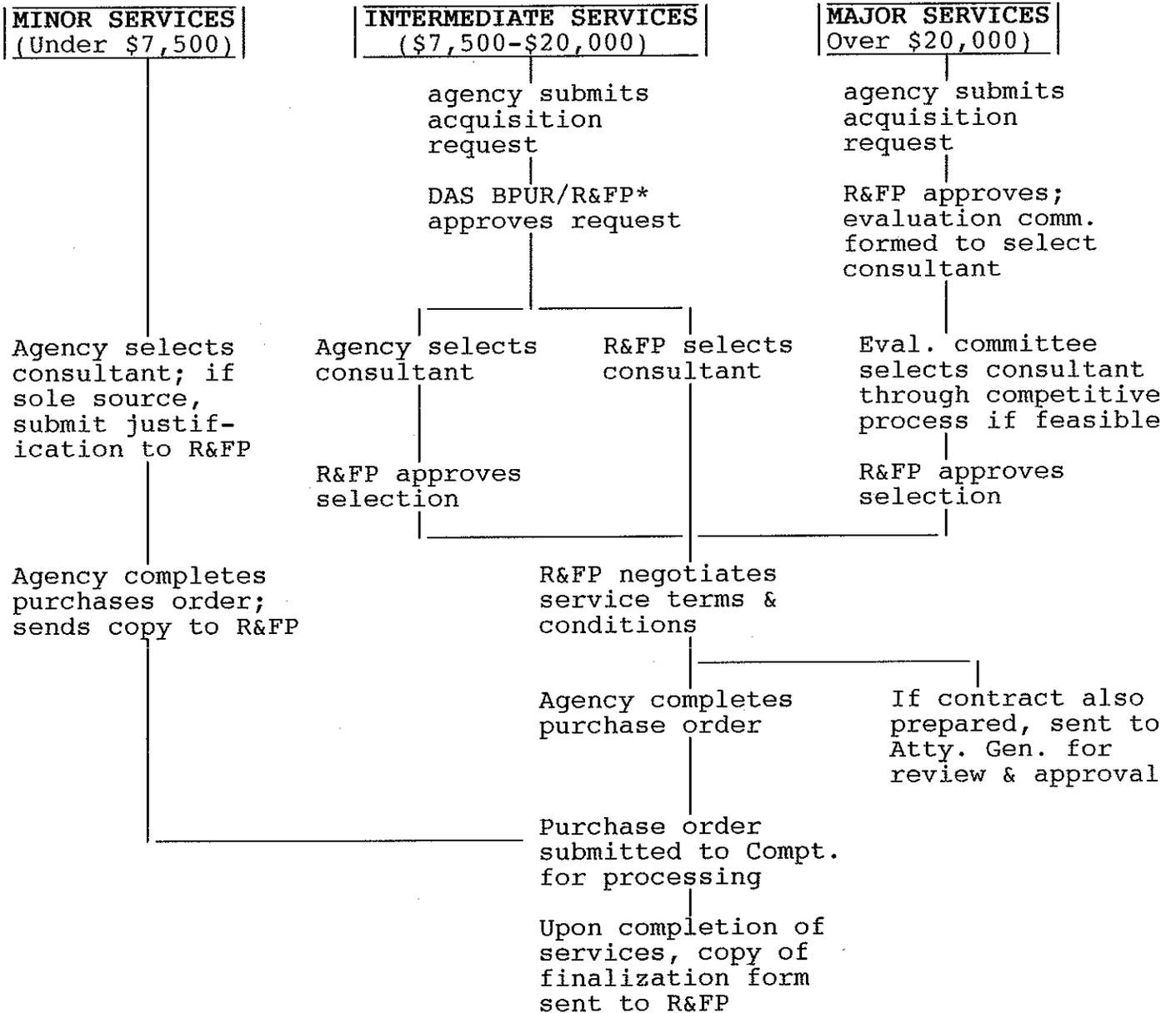
It should be noted that a representative of the Office of Policy and Management, at a program review committee public hearing on state agency consultant use in September 1988, stated that OPM was reviewing its present role and intended to become more active in supervising agency use of consultant services. In addition, OPM contacted program review committee staff after the public hearing and indicated that guidelines on consultant selection and management are being drafted, but to date have not yet been finalized. Furthermore, OPM, in a General Letter dated October 1988, adopted the program review committee's definition of a consultant.

#### Electronic Data Processing Consultant Services

Procedures for hiring electronic data processing (EDP) consultants are outlined in the DAS Bureau of Purchasing's, Purchasing Manual and Comptroller Memo 84-35. Procurement procedures differ depending on expenditure amounts, which are classified as minor (under \$10,000), intermediate (\$10,000 through \$20,000), or major (over \$20,000). As the expenditures increase an agency must adhere to more detailed and stringent procedures and has less discretion in the selection and management of consultant services.

As Figure II-2 depicts the DAS Bureau of Purchasing, Resources and Facilities Planning Section is notified of procurement of minor EDP consultant services through a copy of a purchase order, and receives a finalization form when serv-

**FIGURE II-2. CONSULTANT PROCUREMENT PROCESS: ELECTRONIC DATA PROCESSING (EDP)**



**KEY:\***

DAS = Department of Administrative Services  
 BPUR = Bureau of Purchasing  
 R&FP = Resources & Facilities Planning Section

ices are completed. For intermediate EDP procurement, Resources and Facilities Planning retains authority to approve consultant selection and negotiates the terms and conditions of the contract. For a major EDP procurement, an evaluation committee consisting of the Resources and Facilities Planning Section, Bureau of Information Systems Development (BISDP), and the contracting agency is convened to develop criteria, evaluate proposals, and recommend selection. Evaluation criteria are determined prior to the solicitation of bids, points are assigned, and bids are evaluated on a weighted system. Evaluation criteria and thus the selection system differs for each project.

## CHAPTER 3

### ANALYSIS OF STATE AGENCY CONSULTANT USE

To obtain an accurate picture of the procedures agencies used to contract for professional consultants and to ascertain the nature of contracts active in FY 88, the program review committee through its staff collected data from two sources. Data were compiled on all contracts active during this time period from files in the comptroller's office. A copy of the form used to collect contract data is included in Appendix E. Secondly, a survey was mailed to the 53 agencies with active consultant contracts requesting information regarding their internal procedures and additional information on specific contracts.

Electronic data processing information will be presented at the end of this chapter. Although 22 EDP contracts are included in the analysis below, in theory, EDP services should not have been obtained by the same process as the other professional services listed and, therefore, should not have been found in the files that the program review committee staff searched. As mentioned earlier, contracts for EDP services follow the process outlined in DAS Bureau of Purchasing's Purchasing Manual to which non-EDP consultants do not adhere. The fact that EDP contracts were found among non-EDP consultant contract files indicates that proper procedures were not followed.

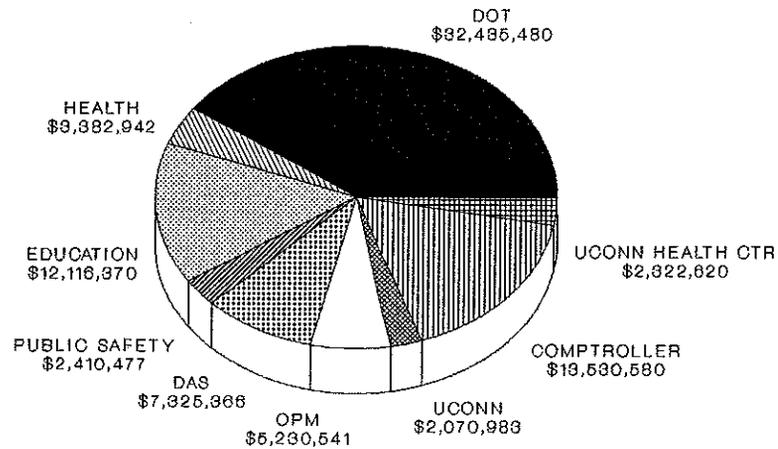
The program review committee identified 1,048 active consultant contracts for FY 88. Since some contracts had data missing, such as final cost or total time, each piece of information presented below is based on varying numbers of contracts.

The committee determined the total cost of 990 contracts active in FY 88 to be \$93,224,098, with the average contract value being nearly \$94,166. The average contract time period, including amended contracts, was 284 days. Of 843 contracts, 125 or almost 15 percent had been amended.

Figure III-1 identifies the top 10 agency users of consultant services by total amount expended. The Department of Transportation expended the greatest amount at \$32,435,475 with a 35 percent share of total contract cost of the 53 agencies included in this analysis. It is important to note that the DOT figure does not include design professionals.

All contracts reviewed were categorized into types of services provided. Table III-1 shows total and average contract amounts by the type of service to be provided and the number of contracts for each category as well as the average contract time period (including amended contracts).

Figure III-1. Top 10 Agencies by Contract Value



As of 8/31/88

Table III-1. Consultant Contracts by Type of Service Provided.\*

Service	#	Total Value	Average Value	Average Time
EDP	22	\$ 2,096,811	\$ 95,309	329 Days
Financial	28	8,955,194	331,674	532 Days
Legal	22	443,129	23,323	192 Days
Management	77	4,513,972	58,623	271 Days
Personnel	12	320,358	26,697	169 Days
Planning	199	28,732,348	145,850	289 Days
Tech Advice	102	19,241,605	188,643	294 Days
Training	217	8,537,974	39,345	191 Days
Other	161	11,037,307	69,417	291 Days
<b>Total</b>	<b>840</b>	<b>\$83,878,698</b>		

\* As of August 31, 1988.

Source: LPR&IC Analysis.

## Procedures

Only 12 (23 percent) of the 53 agencies responding to the committee survey reported they had written procedures regarding consultant procurement and management; most (43) agencies had no written procedures. Ten of the agencies who had written procedures stated the procedures covered determination of agency need for a consultant. The written procedures in 11 agencies covered selection, and all 12 agencies had procedures covering the monitoring and evaluation of consultant performance, and payment of fees. Generally, these are the elements considered essential for effective contract management.

The majority of agencies, according to survey responses, conduct some type of formal evaluation of in-house capabilities prior to hiring an outside consultant. Of the 53 agencies responding to the committee survey, 26 replied that an in-house review is always conducted, 13 agencies usually review their resources and 8 sometimes do. However, four agencies reported they never conduct such a review. Other state resources are less frequently reviewed by agencies prior to hiring a consultant. Only 15 of the 53 responding agencies said that other state resources are always reviewed.

Only three surveyed agencies stated that written evaluations of consultant performance are always prepared while nine agencies said that they usually prepare a written evaluation. Twenty-three agencies replied that a written evaluation was only sometimes prepared while fully sixteen agencies responded that written evaluations were never prepared.

Information gathered on procurement methods for consultant contracts in FY 88 is presented in Table III-2. This table compares the number, aggregate value, median value, and average value of consultant contracts awarded on both sole source and competitive bases as of August 31, 1988. A close examination of the table reveals that although fewer (34 percent of the total 926) contracts were competitively awarded, that is, a Request For Proposal (RFP) was developed and proposals openly solicited, they account for a total cost of \$74,884,346, which represents 84 percent of total contract value, and have an average value of \$239,247.

Conversely, sole source selection accounted for 66 percent of the 926 contracts for which data were available, at a total cost of \$13,896,657, or 16 percent share of total contract value. The median sole source contract value of \$4,500 shows that half of the sole source contracts are small, while the average value of \$22,670 indicates there are a few very large sole source contracts.

Moreover, 25 percent of the sole source contracts were above \$18,300. This further points up the fact that a small

but significant percent of the sole source awards are for a large dollar amount. Indeed, there were 49 contracts in excess of \$205,400.

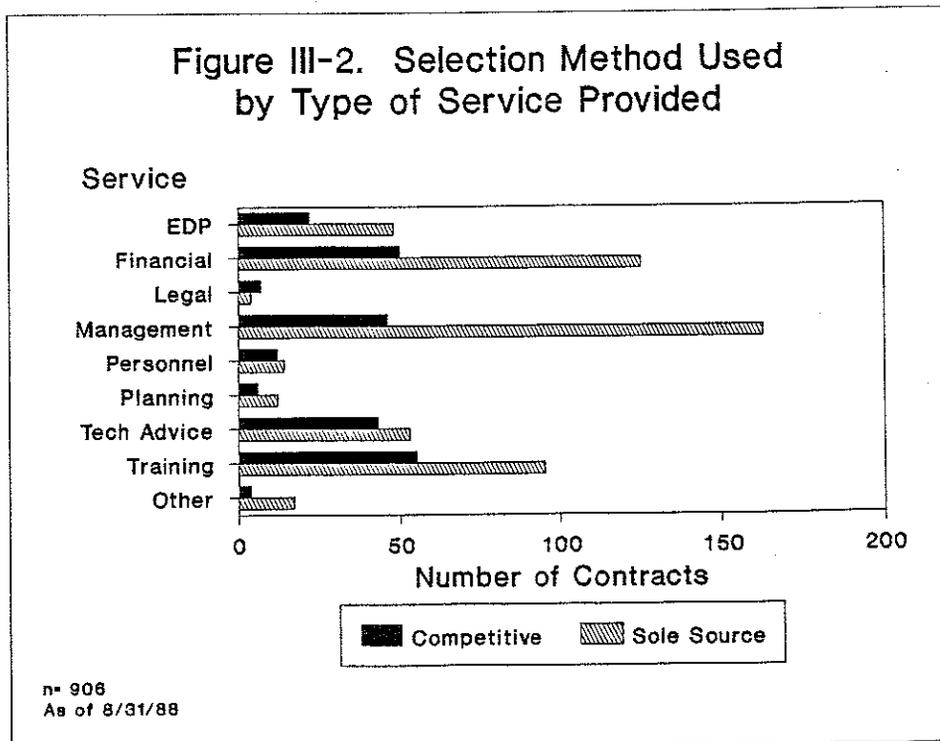
Table III-2. Selection Method for State FY 88 Consultant Contracts.\*

Selection Method	Number	Percent of Total	Total Value	Median Value	Average Value
Competitive	313	34%	\$74,884,346	\$15,000	\$239,247
Sole Source	613	66%	13,896,657	4,500	22,670
<b>Total</b>	<b>926</b>	<b>100%</b>	<b>88,781,003</b>	<b>\$ 7,215</b>	<b>\$ 95,876</b>

\*As of August 31, 1988.

Source: LPR&IC Analysis

A program review committee staff analysis of selection method used by type of service is depicted in Figure III-2. This review of 906 contracts shows that all services except the legal category are more likely procured through a sole source than a competitive method. The training category has the largest number of sole source awards. Only 22 percent of training contracts in the table used a competitive selection method.



Through the survey, the program review committee obtained information on agency satisfaction with consultant services. The vast majority of agencies were either very satisfied or satisfied with the services they received. Of 949 contracts, agencies responded they were dissatisfied or very dissatisfied with their consultant's services in only 12 cases.

The two most common reasons agencies cited in the survey for hiring outside consultants were the lack of internal resources and the need for outside expertise. The need for independent judgment or advice was also frequently noted by respondents.

### Electronic Data Processing

According to DAS Bureau of Purchase's Purchasing Manual, a purchase order should be issued for all procurements including EDP consultant services. Although a contract may be negotiated with the consultant, in addition to the issuance of a purchase order, the process that must be followed is different from that used for other (non-EDP) outside professional consultant services. A flow chart of the process for EDP consultants is provided in Figure II-2, Chapter 2.

The 53 agencies responding to the survey reported a total of 132 active EDP contracts in FY 88. As of August 31, 1988, the total cost of 121 of these contracts, including amendments, is \$59,231,820. However, this value will continue to change as other contracts become amended. For example, 34 of the 132 contracts have amendments totaling \$22,587,604.

The reason cited for 75 percent of the 34 amended EDP contracts was that the scope was broadened. The scope was narrowed in only three percent of the amended contracts.

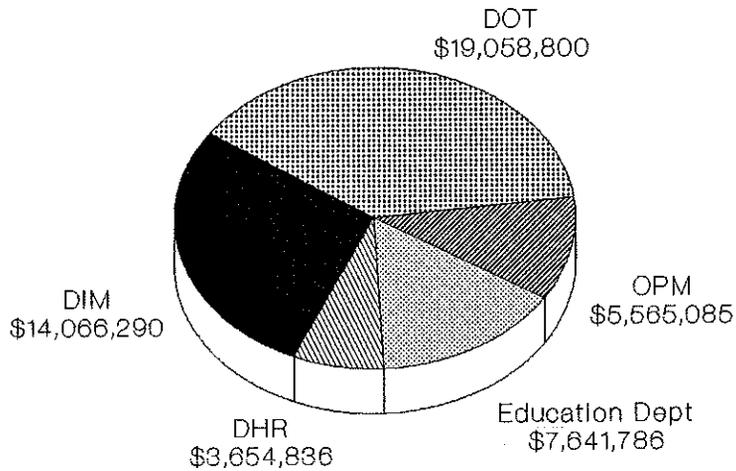
The five agencies that are the largest users of EDP services are presented in Figure III-3. The figure lists only those agencies where committee staff could determine a contract value. Some agencies did not include this figure in their survey responses. The Department of Transportation had the highest contract value of the 5 agencies presented, at \$19,058,800.

Agencies selected EDP consultant services using a sole source method 55 percent of the time and competitively, 45 percent of the time. Table III-3 shows, by selection method, the total number of contracts and the total, average, and median cost for sole source and competitively selected EDP services as of August 31, 1988.

It is important to note that although the average cost of a sole source contract is \$47,339, the median cost is only \$6,675. Likewise, the median cost of a competitive contract

is \$120,608, much less than the average of \$983,652. However, 25 percent of the competitive contracts do cost more than \$745,000 and 10 percent exceed \$3,118,076.

**Figure III-3. Top Five Users of EDP Consultant Services by Contract Value**



As of 8/31/88

**Table III-3. Selection Methods for EDP Consultant Contracts.\***

Method of Selection	Number of Contracts	Total Value	Average Value	Median Value
Sole Source	68	\$ 3,219,031	\$ 47,339	\$ 47,339
Competitive	56	55,084,496	983,652	120,608
<b>Total</b>	<b>124</b>	<b>\$58,303,527</b>	<b>\$470,190</b>	<b>\$ 31,386</b>

\*As of August 31, 1988.

Source: LPR&IC Analysis.

The average contract time period, including amended contracts, was 432 days. However, the median time period is only 365 days. This means that half of the contracts were for less than a year.

Of the 53 agencies responding to the program review committee's survey, 47 percent hired an outside EDP consultant because of lack of expertise within the agency. The second most common reason was lack of staff.



## CHAPTER 4

### FINDINGS AND RECOMMENDATIONS

The program review committee's examination of state agency use of outside professional consultants has revealed some major deficiencies in how consultant services are procured and managed. Most conspicuous is the absence of statutory or regulatory guidelines governing agency procurement of consultant services. Furthermore, there is insufficient oversight of agencies' procurement decisions by an independent authority. Finally, there is inadequate information available on consultant contract awards and services on both state and agency levels. Thus, an agency has relative autonomy when contracting for professional services with no checks and balances on the appropriateness of the expenditure.

Taken in combination, these deficiencies lead to a lack of accountability in the present system. Agencies have virtually complete control over consultant selection method, price, and work to be performed. This is a major concern, particularly since there was a total of 1,048 active consultant contracts in state FY 88 having a total value in excess of \$93,225,000. As mentioned in Chapter 1, the committee also identified 132 electronic data processing (EDP) consultant contracts with a face value of approximately \$59,232,000. These amounts are not contract expenditures for FY 88, but rather total contract values. For example, a contract that began in 1986, but was still active in 1987, would be included in the total value amount.

#### Definition

As noted in Chapter 1, there is no general definition of the term "consultant" contained in Connecticut statutes. In order to provide clarification and reduce ambiguity in interpretation, the Legislative Program Review and Investigations Committee recommends that "consultant" be defined in statute as follows:

"Consultant" shall be defined to mean an individual or organization outside of state government hired for a fee to provide professional advice or services to the state under a contract or agreement that defines the end product to be delivered. The term does not refer to independent contractors that provide routine professional services on an ongoing basis to state agencies or their clients or that operate programs in lieu of state agencies.

## Establishment of Statutory Process

The program review committee had two objectives in developing recommendations that address the lack of procedures for procuring consultant services. The first was to outline in statute a process for obtaining and managing consultant services that would not be overly restrictive, but would provide a framework that could be followed by all state agencies. The second objective was to centralize the responsibility for refining, implementing, and overseeing the process outlined in statute for selecting, managing, and evaluating consultant services in the Office of Policy and Management. Specifically, the program review committee recommends:

Before a state agency can solicit a consultant the agency must develop a Request For Proposal (RFP). The RFP, at a minimum, must outline the work to be performed, the qualifications individuals or firms must have to be eligible to respond, the format that must be followed in responding, and the date by which responses must be received to be eligible for consideration.

Before a state agency can select a consultant the agency must establish a screening committee to develop criteria for evaluating responses to the RFP. This committee shall rank all responses and submit the top three rankings to the agency head who shall be responsible for making the final selection.

If less than three complete responses to an RFP are received and the value exceeds \$18,000 in the 1990 state fiscal year, and an equivalent inflation adjusted dollar value in each succeeding state fiscal year, then the consultant selection shall be treated as a sole source procurement and subject to all the procedures applicable to that process. The GNP price deflator for state and local services shall be used in making the adjustment for inflation. (See sole source recommendation beginning on page 21.)

If less than three complete responses to the RFP are received and the value of the resulting contract is less than \$18,000 in the 1990 state fiscal year, and an equivalent inflation adjusted dollar value in each succeeding state fiscal year, then the agency head is authorized to select a consultant without seeking approval from the Office of Policy and Management. The GNP price deflator for state and local services shall be used in making the adjustment for inflation.

## Oversight Role of the Office of Policy and Management

Establishment of standards. One of the problems identified by the program review committee study and noted in the introduction was the absence of oversight in the consultant selection and evaluation process. Indeed, only 3 out of 53

agencies responding to a program review committee survey conduct written evaluations of consultant's performance once services have been rendered.

Even if the statutory changes recommended by the program review committee were adopted, the oversight problem would continue because, other than the financial aspects, there is no independent review by an outside agency of the consultant selection and management process. In effect, each state agency acts autonomously.

In the program review committee's view, there is a need for a central authority to develop standards for agencies to follow in determining the need for, selection, management, and evaluation of consultant services. There also needs to be an independent authority to ensure agencies comply with statutory requirements and follow sound procurement practices. The program review committee believes that the logical agency to oversee the selection, systematic monitoring, and evaluation of consultant performance is the Office of Policy and Management. Specifically, the program review committee recommends:

The Office of Policy and Management shall develop standards no later than September 1, 1989, for the selection and management of consultant services. At a minimum, these standards should address and define:

- agency evaluation of consultant need;
- Request for Proposal (RFP) development;
- selection method;
- advertising for consultants;
- agency evaluation of proposals submitted;
- systematic agency monitoring of consultant performance;
- systematic agency evaluation of services delivered; and
- agency documentation of the process followed.

Written procedures. The survey conducted by the program review committee on agency consultant use found that only 10 of 53 responding agencies have formal written procedures for selecting and managing consultants. The 44 agencies without formal written procedures accounted for 768 contracts active in state FY 88. The dollar value of these contracts was \$37,938,981. To insure that all state agencies are aware of

and comply with statutory changes and standards developed by OPM, the program review committee recommends:

Each state agency shall develop written procedures that, at a minimum, detail how the agency will meet all statutory requirements and the standards developed by the Office of Policy and Management. The written procedures shall be submitted for approval to OPM by January 1, 1990. After March 31, 1990, a state agency without an approved plan shall be prohibited from paying for consultant services without the specific written consent of the secretary of OPM.

Sole source contract awards. As noted in Chapter 3, the program review committee analyzed the method used for selecting consultants. It found that 66 percent of the 926 consultant contracts for which data were available were awarded on a sole source basis, with 25 percent of the 616 contracts exceeding \$18,300.

Concern over the use of sole source awards prompted the program review committee to conduct a case study of sole source selection practices at the Department of Mental Retardation (DMR). This department was chosen because a scan of all consultant contracts showed that it had frequently selected, on a sole source basis, specific consultants from very distant geographical locations.

The program review committee emphasizes that no current statutory provisions concerning procurement of consultant services were violated by the Department of Mental Retardation. Furthermore, nothing improper in the methods used by DMR to select these consultants was apparent. The program review committee chose to include this case study in its report simply because it provides a concrete example of the lack of controls in the present system.

The program review committee found the Department of Mental Retardation, under its authority to hire consultants, awarded a total of 16 separate sole source contracts to three consultants or their firms for a total contract value of \$1,137,179. The time period covered by these contracts spanned from September 1985 through June 1989.

A complete discussion of the events that led to the original hiring of these three consultants and their subsequent contracts with the department is provided in Appendix F, and is entitled "Case Study of Sole Source Contract Awards by the Department of Mental Retardation."

The program review committee believes the widespread use of a sole source method of selecting consultants is inconsistent with the state's general procurement policies. A major concern of any procurement system, and particularly one using public funds, is the openness of the system. The underlying

assumption, which is not challenged in this study, is that an open system will ensure that the government paid a fair price for the service it received. It is also assumed, and again not questioned in this study, that an open procurement system significantly reduces the opportunity for bias, favoritism, and fraud in consultant selection.

While sole source consultant selection is legitimate in some instances, particularly in unique small dollar value contracts, the program review committee believes the burden of proof should be on the agency to justify to an independent authority why a sole source method was chosen. With this in mind, the program review committee recommends:

If a proposed contract for consultant services exceeds \$18,000 in the 1990 state fiscal year, and an equivalent inflation adjusted dollar value in each succeeding state fiscal year, and the contracting agency has not received three complete responses to its RFP, the agency must obtain a written waiver from the secretary of the Office of Policy and Management before it can enter into the contract. To obtain a waiver, the contracting agency must demonstrate to the satisfaction of the secretary that it undertook all reasonable means to obtain at least three responses to its RFP or that the requested service can only be provided by a single source. The GNP price deflator for state and local services shall be used in making the adjustment for inflation.

In addition, OPM shall develop criteria that detail under what circumstances an agency may obtain a waiver for sole source contracts.

Contract amendments. Contracts are frequently amended, and agencies have enormous discretionary power over changes, including the authority to increase contract cost, without justifying the necessity of the amendment to an outside authority.

The program review committee found that of the 1,048 contracts, 121 had been amended, resulting in a net increase in value of \$20,792,816. Of these, 10 percent or 13 of the amendments were in excess of \$38,500. In the electronic data processing area, 34 of the 132 contracts had been amended for a net increase of \$22,587,604. These represent substantial additions in net cost, all without approval from an independent reviewing agency.

Regardless of the selection method used, a consultant can be awarded a low-dollar contract and, by the agency amending it, have it become a high-dollar contract. For example, at the Department of Transportation, an original management contract awarded in April of 1986 for \$95,100 was amended at least three times. The first amendment raised the contract price to \$678,000. The next amendment increased the

value to \$3,418,700. Another amendment changed the contract value to \$6,975,200.

As with an agency's decision to award a sole source contract, the program review committee believes an agency should provide justification to an independent authority when an amendment results in a substantial dollar or percentage change to the contract. Therefore the committee recommends:

**An agency must obtain OPM approval for contract amendments under the following conditions:**

- if the value of the amendment exceeds 100 percent of the original contract value;
- if the amendment exceeds \$40,000 in the 1990 state fiscal year, and an equivalent inflation adjusted dollar value in each succeeding state fiscal year using the GNP price deflator for state and local services; or
- all second and subsequent dollar amendments to contracts.

Provision of information. As mentioned above, agencies are relatively autonomous in contracting with consultants. One result of this independence is a lack of information on both a statewide and an agency level. Currently there is no reporting system on the type, number, and cost of contract awarded by agencies for consultant services or the selection method used. The only central source of information is the Office of the Comptroller, where copies of all contracts are located. These data, however, are not compiled.

Since no data are available on consultant contracts there is no exchange of information between agencies having similar needs. Thus, agencies may independently contract for consultant services when one agency could have contracted for a consultant and shared the information with another.

Furthermore, because the amount spent on consultants each year is significant, compiled information on agencies' consultant use and cost should be available to the public. Distribution of information will compel agencies to monitor and evaluate consultant services more rigorously. To ensure agencies are held accountable for expenditures related to consultant services and to generate beneficial information for use by other agencies, the program review committee recommends:

Beginning with the period January 1, 1990, through June 30, 1990, and for every six-month interval thereafter, agencies shall submit and the Office of Policy and Management

shall compile a report on consultant contracts awarded. The report shall contain:

- consultant names;
- contract costs;
- contract lengths;
- short descriptions of services to be provided;  
and
- short descriptions of anticipated consultant service needs for the following reporting period.

OPM shall publish and distribute the report to all state agencies within 60 days of the close of the reporting period.

The Office of Policy and Management shall identify agencies with similar anticipated consultant needs and seek where possible to coordinate and consolidate projects between and among those agencies.

Beginning with the period April 1, 1990, through September 30, 1990, and for every six-month interval thereafter, agencies shall submit and the Office of Policy and Management shall compile a report for each completed consultant contract, including:

- consultant name;
- contract cost;
- date work completed;
- selection method used;
- description of service provided; and
- contact person for more information.

OPM shall publish and distribute the report to all state agencies within 60 days of the close of the reporting period.

Within 60 days of the completion of a consultant contract, the agency shall submit an evaluation of the consultant performance to OPM. OPM shall review the evaluation and develop a list of contractors determined to have performed in an unsatisfactory manner. This list should be circulated to state agencies and made available to the public upon request.



## APPENDICES



APPENDIX A

Survey of State Agency Consultant Use

IF YOU HAVE ANY QUESTIONS, CONTACT MARYELLEN DUFFY AT 566-8480.

Agency name \_\_\_\_\_

Person completing this survey \_\_\_\_\_

Title \_\_\_\_\_ Phone \_\_\_\_\_

Please use the definition below of the term consultant when completing this survey.

**Consultant** - an individual or organization outside of state government hired for a fee to provide professional advice or services to the state under a contract or agreement that defines the end product to be delivered. The term does not refer to independent contractors that provide routine professional services on an ongoing basis to state agencies or their clients or that operate programs in lieu of state agencies.

Examples of consultant services included in the study are:

- o management, legal, environmental, or financial advice and assistance;
- o automated data processing advice and assistance, including system design, development, conversion, analysis, and related programming;
- o preparing plans, reports, or manuals;
- o conducting research or studies, internal audits, financial audits, and program evaluations;
- o personnel training, testing, and evaluation;
- o architectural, engineering, and other design services; and
- o communications advice and assistance, including public relations, advertising, and publicity.

Examples of consultant services NOT included are:

- o routine health, educational, or legal services provided to clients of state agencies;
- o routine inspections of bridges, roads, dams, etc.; and
- o direct operation of programs such as the state lottery and vehicle emissions testing.

PART I AGENCY CONSULTANT PROCEDURES

The following questions are about the procedures your agency typically follows when using consultants as defined on the previous page.

1. Does your agency have written procedures concerning the procurement and management of consultants?      YES      NO

IF YES: (Check all responses that apply)

1A. Do these procedures cover the process for:

- assessing the need for a consultant  
     selecting a consultant  
     monitoring and evaluating a consultant's work  
     payment of fees  
     other (specify) \_\_\_\_\_

1B. Include a copy of the procedures with your survey response.

2. In hiring consultants over the last two years, how frequently has your agency: (circle the appropriate response for each item)

	<u>Always</u>	<u>Usually</u>	<u>Sometimes</u>	<u>Never</u>
(a) conducted a formal evaluation of in-house capability prior to hiring an outside consultant	1	2	3	4
(b) formally reviewed the resources available from other state agencies prior to hiring an outside consultant	1	2	3	4

3. Over the past two years, how frequently have prospective consultants been evaluated based on: (circle the appropriate response)

	<u>Always</u>	<u>Usually</u>	<u>Sometimes</u>	<u>Never</u>
(a) personal interviews	1	2	3	4
(b) prior work done for agency	1	2	3	4
(c) work done for others (reputation)	1	2	3	4
(d) price quoted in consultant's proposal	1	2	3	4
(e) consultant's statement of work excluding price	1	2	3	4
(f) qualifications of individuals to be assigned to project	1	2	3	4

4. Within your agency, who is responsible for making the final decision in each of the following cases: (circle the appropriate response)

	<u>Agency Head</u>	<u>Division/ Unit Head</u>	<u>Project Team</u>	<u>Other (specify)</u>
(a) need for a consultant	1	2	3	4 _____
(b) language in RFP	1	2	3	4 _____
(c) selection of a consultant	1	2	3	4 _____
(d) terms of agreement between consultant and agency	1	2	3	4 _____

5. In managing consultant services provided over the past two years, how frequently has your agency: (circle appropriate response)

	<u>Always</u>	<u>Usually</u>	<u>Sometimes</u>	<u>Never</u>
(a) met regularly with each consultant to check compliance with contract provisions and review progress	1	2	3	4
(b) withheld payments until key benchmarks were reached	1	2	3	4
(c) required written, periodic progress reports from the consultants	1	2	3	4
(d) prepared written evaluations of consultants' performance	1	2	3	4

6. When procuring a consultant, approximately what percentage of the time does your agency use a competitive, as opposed to a sole source, selection method? Indicate your estimates in the boxes below. (Your estimates should total 100%).

Competitive                      Sole Source

  
 +                     
 
   
 = 100%

7. When a competitive consultant selection process is used, please rank the following selection criteria in order of their importance, beginning with 1 for the most important, 2 for the next most important, etc. (Place a 0 next to any criterion not used in the selection process).

- price
- prior work for your agency
- prior work for other agencies
- statement of work outlined in the consultant's proposal
- qualifications of individual(s) assigned to the project
- personal interviews
- other (specify) \_\_\_\_\_
- other (specify) \_\_\_\_\_

8. When a competitive process is used, how does your agency notify potential consultants: (circle appropriate response)

	<u>Always</u>	<u>Usually</u>	<u>Sometimes</u>	<u>Never</u>
a) newspaper advertisements	1	2	3	4
b) direct mailings	1	2	3	4
c) contact trade assoc.	1	2	3	4
d) other (specify) _____	1	2	3	4

9. Generally, which of the following factors is the primary reason for using the sole source procurement method: (check only one)

- time constraints
- specialized expertise required
- continuation of work in progress
- dollar value of work to be performed is too small to warrant the work associated with a competitive process
- other(specify) \_\_\_\_\_

PART II CONSULTANT USE

Please provide the following information about electronic data processing (EDP) consultant services, which includes the design, development, conversion, and analysis of systems and/or related programming for your agency's automated systems:

A. Number of active EDP contracts in FY 87-88. \_\_\_\_\_

B. Complete the attached form for each EDP consultant contract that was active in FY 87-88. If you need more forms, please make photocopies of the ones provided here.

EDP CONSULTANT SERVICES PROFILE FORM

1. CONSULTANT NAME \_\_\_\_\_

2. ADDRESS \_\_\_\_\_

3. DESCRIPTION OF SERVICES/PRODUCT: (check as many as apply)

- design system
- implement system
- analyze system
- convert system
- prepare report/manual/plan
- provide training
- develop software
- other (describe) \_\_\_\_\_

4. COST OF SERVICES: Cost of original agreement \$ \_\_\_\_\_

Total cost including amendments \$ \_\_\_\_\_

5. TIME PERIOD

a) Original: from \_\_\_\_/\_\_\_\_/\_\_\_\_ to \_\_\_\_/\_\_\_\_/\_\_\_\_  
month day year month day year

b) Amended: from \_\_\_\_/\_\_\_\_/\_\_\_\_ to \_\_\_\_/\_\_\_\_/\_\_\_\_  
month day year month day year

6. IF CONTRACT AMENDED, PRIMARY REASON: (check only one)

- Scope of project was broadened
- Scope of project was narrowed
- Agency delayed project
- Consultant didn't complete project on time
- Other (specify) \_\_\_\_\_

(For each of the following questions, check the appropriate response).

7. CURRENT STATUS of consultant services: \_\_\_ Completed \_\_\_ In progress

8. SELECTION PROCESS for this consultant: \_\_\_ sole source \_\_\_ competitive

9. PRIMARY REASON consultant needed:

- lack in-house staff
- lack in-house expertise
- independent review/judgment required
- narrow timeframe
- other \_\_\_\_\_

10. How satisfied are you with this consultant's services to date?

- very satisfied
- satisfied
- dissatisfied
- very dissatisfied

**PART III VERIFICATION AND PROVISION OF INFORMATION REGARDING  
SPECIFIC PERSONAL SERVICE AGREEMENTS**

Attached are two separate forms, the titles of which are in the top left-hand corner of the page. The Agency Verification of Consultant Data form asks for verification of information collected from the files of the state comptroller's office by program review staff. The Agency Consultant Projects form requests that your agency provide additional information on specific Personal Service Agreements.

On each form, program review staff has provided the PSID number for each contract. This number is assigned by your agency and should enable your agency to locate the contracts that we are interested in.

**To Complete Agency Verification of Consultant Data Form:**

The PSID number is provided in column 4 on the attached form. For each Personal Service Agreement, please verify that:

- o all consultant contracts within your agency that were active in the comptroller's office for FY 88 have been included on the form;
- o the information recorded is correct; and
- o any missing or incorrect data has been supplied.

If there are consultants who are not hired through a Personal Service Agreement, but meet our definition of a consultant, include them on a separate sheet and explain why they were not contracted through a Personal Service Agreement. If you feel that program review staff included or excluded a specific Personal Service Agreement from this survey erroneously, please note the PSID number and the reason why.

**To Complete Agency Consultant Project Form:**

Provide the information requested in columns [d] - [i] on the Agency Consultant Project form in the allotted space. The PSID number has been provided in column [c] to assist you in locating the applicable contract.

APPENDIX B

Agencies Completing Survey on Consultant Use:

Administrative Services  
Advocacy and Protection of the Handicapped  
Aging  
Agriculture  
Agricultural Experiment Station  
Arts Commission  
Attorney General  
Banking  
CADAC  
Central CT State University  
Civil Preparedness  
Comptroller  
Consumer Council  
Consumer Protection  
Corrections  
DCYS  
DEP  
DIM  
DMV  
DOT  
Economic Development  
Education  
Education and Services for the Blind  
Ethics Commission  
Fire Prevention  
Health Services  
Higher Education  
Historical Commission  
Housing  
Human Resources  
Labor  
Medical Examiner  
Mental Retardation  
Mental Health  
Municipal Police Training Council  
OPM  
Public Safety  
Public Utility Control  
Public Works  
Regional Community Colleges  
Revenue Services  
Secretary of State  
Southern CT State University  
Special Revenue  
State Library  
State University Board  
Teacher's Retirement Board  
Technical Colleges  
Treasurer  
UCONN  
UCONN Health Center  
Western CT State University  
Workers Compensation



## APPENDIX C

### CATEGORIES OF CONSULTANT SERVICES

Management -- design systems, procedures, and/or provide advice, audit performance, prepare manuals, install improvements regarding internal agency operations other than EDP or personnel

EDP -- services including design, development, conversion, analysis and related programming for agency electronic data processing

Personnel -- review, evaluate, advise, study and report on human resource development policies and procedures, e.g., productivity, morale, salary structure, staffing levels, training needs

Training -- provide training directly to professional, clerical, technical employees

Planning/Research -- assist in planning and implementation of proposed projects and policies, e.g., conduct feasibility studies or needs assessments, prepare agency master plan for achieving program goals and objectives; collect data and prepare studies, statistical reports on existing, specific projects and policies, e.g., utilization reports, client satisfaction survey

Legal -- provide advice, expert testimony, research; participate in administrative hearings, trials

Financial audit -- perform independent financial audits

Capital project design and management -- architect, engineer, and other design professional services provided in regard to a specific capital (e.g., road, bridge, building) project

Science/technology assistance and advice -- expert advice, technical assistance provided by scientists or professionals that is not related to a specific capital project or EDP, e.g., architect's review of building regulations, engineer's advice on dam standards, engineering study of environmental impact of agency regulations, expert testimony re environmental or health regulations/standards

Other -- all other services (describe), e.g., may include: public relations, advertising campaigns, development of brochures



APPENDIX D

PERSONAL SERVICE AGREEMENT  
CO-802A REV. 2/86 (Stock No. 6938-170-01)

STATE OF CONNECTICUT  
OFFICE OF THE STATE COMPTROLLER

Prepares in quintuplicate.

The State agency and the contractor as listed below hereby enter into an agreement subject to the terms and conditions stated herein and/or attached hereto and subject to the provisions of Section 4-98 of the Connecticut General Statutes as applicable.

(1) Original  Amendment

<b>CONTRACTOR</b>	(2) NAME AND ADDRESS OF CONTRACTOR (Include FEIN/SSN)					(3) Are you presently a state employee? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO					
<b>STATE AGENCY</b>	(4) AGENCY NAME AND ADDRESS					(5) AGENCY NO.		(6) IDENTIFICATION NO. <input checked="" type="checkbox"/> P.S. # _____			
<b>CONTRACT PERIOD</b>	(7) FROM (Date)		THROUGH (Date)		(8) INDICATE <input checked="" type="checkbox"/> Master Agreement <input type="checkbox"/> Contract Award No. _____ <input type="checkbox"/> Neither						
<b>CANCELLATION CLAUSE</b>	This agreement shall remain in full force and effect for the entire term of the contract period stated above unless cancelled by the State agency by giving the contractor written notice of such intention (required days notice specified at right.)								(9) Required No. of days written notice: _____		
<b>TERMS AND CONDITIONS</b>	Acceptance of this contract implies conformance with conditions stated on the reverse side of this form.										
<b>COMPLETE DESCRIPTION OF SERVICE</b> <i>(Include special provisions- Use additional blank sheets of same size if required)</i>	(10) CONTRACTOR AGREES TO										
<b>COST AND SCHEDULE OF PAYMENTS</b>	(11) PAYMENT TO BE MADE UNDER THE FOLLOWING SCHEDULE UPON RECEIPT OF PROPERLY EXECUTED AND APPROVED INVOICES.										
	(12) ACT. CD.	(13) DOC. TYP.	(14) COM. TYP.	(15) LSE. IND.	(16) AGENCY NUMBER	(17) DOCUMENT NUMBER	(18) COMMITMENT NUMBER	(19) VENDOR FEIN/SSN			
	(20) COMMITTED AMOUNT			(21) OBLIGATED AMOUNT			(22) CONTRACT PERIOD				
							FROM	TO			
	(23) ACT. CD.	(24) LINE NO.	(25) COMMITTED AMOUNT	(26) AGENCY	(27) COST CENTER		(28) OBJECT	(29) AGENCY TAIL		(30) EXTENSION	(31) F.Y.
					FUND	SID		(29A) FUNCTION	(29B) ACTIVITY		
<b>STATUTORY AUTHORITY</b>	(32)										
<b>ACCEPTANCES AND APPROVALS</b>	(33) CONTRACTOR (Owner or authorized)					TITLE			DATE		
	(34) AGENCY (Authorized Official)					TITLE			DATE		
	(35) (Office of Policy & Mgmt./Dept. of Admin. Services)					TITLE			DATE		
	(36) ATTORNEY GENERAL (Approved as to form)								DATE		



COMPTROLLER FILE REVIEW - CODING SHEET

1. Consultant Name \_\_\_\_\_

2. Consultant Address \_\_\_\_\_

3. Consultant Type (check one)

- 1. Individual \_\_\_\_\_
- 2. Firm/Org. \_\_\_\_\_
- 3. State Agency \_\_\_\_\_
- 4. Federal Agency \_\_\_\_\_
- 5. Local Agency/Town \_\_\_\_\_
- 6. Higher Ed. Instit. \_\_\_\_\_  
(Public or Private)
- 7. Other (specify) \_\_\_\_\_

4. Agency Name \_\_\_\_\_

5. P.S. I.D. # \_\_\_\_\_

6. Contract Period:  
From \_\_\_\_\_

To \_\_\_\_\_

Other (Code as 99) \_\_\_\_\_

7. Contract Type: (Check One)

- 1. Original \_\_\_\_\_
- 2. Amendment \_\_\_\_\_

If Contract Amended Answer Questions #8 and #9.  
If Contract Not Amended, Code As #0.

8. Number of Amendments \_\_\_\_\_

9. Original Dates  
From \_\_\_\_\_

To \_\_\_\_\_

10. Description of Primary Service Provided:

- 1. Management \_\_\_\_\_
- 2. Plan/Research \_\_\_\_\_
- 3. Personnel \_\_\_\_\_
- 4. Training \_\_\_\_\_
- 5. EDP \_\_\_\_\_
- 6. Financial Audit \_\_\_\_\_
- 7. Legal \_\_\_\_\_
- 8. Technical Advice & Assistance \_\_\_\_\_
- 10. A&E/Design, C \_\_\_\_\_
- 11. Other (specify) \_\_\_\_\_

11. Primary End Product Delivered (check one)

- 1. Report, Manual, Plan, System Design
- 2. Training
- 3. EDP System Design
- 4. EDP System Implemented
- 5. Technical Advice & Assistance
- 6. A&E Design, Capital
- 7. Other (specify) \_\_\_\_\_

12. Obligated Amount \$ \_\_\_\_\_

13. Total Cost Final Contract \$ \_\_\_\_\_

14. Total Cost Original Contract \$ \_\_\_\_\_   
(if N/A, code as 0)

15. Funding: (code Fund and SID numbers)

16. Retroactive Contract -- Based on Signatures (check one)

- 1. Yes
- 2. No

16a. If Contract Retractive, code date of last approval signature  
If Not, code as 0.

17. Primary Reason Given for Hiring Consultant (check one)

- 1. Lack Resources
- 2. Lack Expertise
- 3. Need Independent Advice
- 4. Other (specify) \_\_\_\_\_

18. Services Available through other State Agencies? (check one)

- 1. Yes
- 2. No

19. Were Competitive Bids Sought? (check one)

- 1. Yes
- 2. No

20. Project Status -- Based on Dates (Check One)

- 1. In Progress
- 2. Completed
- 3. Other (specify) \_\_\_\_\_

**APPENDIX F**

**Case Study of Selected Sole Source Contract  
Awards by the Department of Mental Retardation**

The program review committee conducted a case study of sole source contract awards at the Department of Mental Retardation (DMR). This department was chosen because a scan of all consultant contracts showed that it had frequently selected, on a sole source basis, specific consultants from very distant geographical locations.

The program review committee emphasizes that no statutory provisions concerning procurement of consultant services were violated by the Department of Mental Retardation. Furthermore, nothing improper in the methods used by DMR to select these consultants was evident.

The widespread use of sole source contracts in the Department of Mental Retardation provides a good example of the lack of controls and the potential for abuse in the consultant procurement system. The description below illustrates how sole source awards can become multi-year, high cost contracts with no oversight from sources external to the department.

Under its authority to hire consultants, the Department of Mental Retardation awarded a total of 16 sole source contracts to three consultants, or their firms, for a total contract value of \$1,137,179. The time period covered by these contracts ranged from September 1985 through June 1989.

During this time period one consultant, Elizabeth Mount, President of Graphic Futures, received a total of three contracts valued at \$89,345. Another consultant, Joseph Patterson, received four contracts with a \$85,359 value. In addition, a company headed by Mr. Patterson, Desert Survivors, received a separate \$62,550 contract. A third consultant, Ralph Wetzel, was awarded seven contracts totaling \$117,925. Finally, Common Green Corporation, of which Joseph Patterson is president and Ralph Wetzel is secretary, has a current contract with the department extending through July 1989 for \$782,000. It appears that the state, through this contract, has paid most, if not all, of the start-up business costs for Common Green, which was incorporated in Connecticut in March of 1988. Table I on page 2 gives a chronological history of all the contracts these consultants have had with the department.

A summary of the events which lead to the hiring of these consultants follows.

In April of 1985, under Acting Commissioner Amy B. Wheaton, the Department of Mental Retardation in response to the Connecticut Association of Retarded Citizens v. Thorne consent decree, which in part required the department to provide training in behavior treatment techniques, formulated a Request for Proposal (RFP). The RFP involved curriculum development and on-site training of selected staff located in

a particular unit at Mansfield Training School. The RFP indicated that the department would pay \$10,000 for the consultant services, which would cover a two-month period.

Table I. Chronology of Sole Source Contracts.

Consultant Name	Contract Dates	Contract Values	Amendments
Joseph Patterson	08/19/85-01/31/86	\$ 3,000	No
Graphic Futures	09/30/85-10/01/85	925	No
Ralph Wetzel	11/13/85-11/15/86	2,000	No
Desert Survivors	01/01/86-08/15/88	62,550	\$25,275
Graphic Futures	01/01/86-08/15/87	63,525	\$25,425
Ralph Wetzel	03/01/86-12/31/86	36,100	No
Ralph Wetzel	02/06/87-01/15/88	35,171	Technical
Graphic Futures	02/09/87-03/15/88	24,895	Extend Date
Joseph Patterson	02/09/87-01/15/88	26,925	No
Ralph Wetzel	04/20/87-04/22/87	1,389	No
Ralph Wetzel	06/20/87-06/30/88	22,600	No
Joseph Patterson	07/15/87-10/15/87	8,874	No
Ralph Wetzel	07/15/87-10/15/87	9,337	\$1,107
Ralph Wetzel	09/01/87-06/30/88	11,328	No
Joseph Patterson	10/01/87-03/15/88	46,560	Extend Date
Common Green	03/25/88-07/30/89	782,000	-\$528,012
Total		\$1,137,179	

Source: LPR&IC Staff Analysis.

According to the current DMR administration, the RFP was sent to four nationally recognized experts, but none were available to undertake the project. A letter from DMR to the program review committee lists the consultants who received the RFP and notes what their replies were. However, the department was unable to produce any correspondence or written documentation related to the responses received from the experts.

After Commissioner Brian Lensink and Deputy Commissioner Charles Galloway were appointed to the Department of Mental Retardation in the summer of 1985, the scope of consultant services sought was significantly broadened. In the fall of 1985, DMR contacted and hired Elizabeth Mount's company, Graphic Futures of Georgia, and Desert Survivors, an Arizona based company headed by Joseph Patterson. No RFP was developed, and no other potential consultants were notified. These contracts proved to be the first in a series of sole source contracts between the department and these consultants.

The department's explanation to the program review committee for the initial sole source award was that, upon the appointment of Commissioner Lensink, the department underwent significant philosophical and policy changes. The department contends that the consultants chosen are nationally recognized experts in their field and were uniquely qualified to perform the services needed. Thus, the department did not believe it was necessary to seek competitive proposals.

Table 1 on page 2 presents a comparison over time of the contracts awarded to Ms. Mount, Mr. Patterson, and Mr. Wetzel or their firms. The first contract was received by Joseph Patterson, who entered into a five-month, \$3,000 agreement consisting of three training days in August 1985 and the provision of consultation as requested. The next contract awarded by the department was to Elizabeth Mount of Graphic Futures. This was a two-day agreement to provide training on September 30, and October 1, 1985 at a cost of \$925. In November of 1985, Ralph Wetzel was also awarded a two-day contract to assess training and program development needs. This contract had a \$2,000 value.

In January 1986, the department began a major training and program development project with two sole source contracts dating from January 1, 1986 to August 15, 1987. Joseph Patterson, Executive Director of Desert Survivors, a company incorporated in the state of Arizona and located in Tucson, received a \$37,725 contract that was later amended to \$62,550. Elizabeth Mount, President of Graphic Futures, a company incorporated in Georgia and located in Atlanta, received a \$38,100 contract award that was amended to \$63,525. In March 1986 the department awarded Ralph Wetzel, also of Arizona, a \$36,100 contract to assist in program development.

The reason given by the department for the sole source award on the contract face sheet submitted to OPM for the Desert Survivor contract was "sole source available." No reason for sole source was supplied by the department on the other contract.

In February 1987, the department awarded three new sole source contracts to Mr. Patterson, Ms. Mount, and Mr. Wetzel. Each contract was to last approximately one year. Graphic Futures received an award for \$24,895; Joseph Patterson a contract for \$26,925; and Ralph Wetzel received a \$35,171 contract. The reason given by the department for awarding each of these contracts on a sole source basis was that the proposal "builds on previous work of these consultants...."

Ralph Patterson received a \$1,389 training contract from Southbury Training School in April 1987. Program review could not find documentation of sole source justification for this contract.

Additional contracts for training were awarded to Joseph Patterson and Ralph Wetzel in July of 1987. The cost of these contracts was \$8,874 and \$9,337, respectively. The reason cited by the department for these sole source contracts was "special knowledge and prior working relationships not available through other sources."

In October of 1987, Joseph Patterson was awarded yet another sole source contract for \$46,560. This agreement originally was for 4 months, but was subsequently amended to a 5-1/2 month period.

Mr. Wetzel received two additional sole source contracts. One a \$22,600 training contract at a regional DMR office, covering the period June 1987 through June 1988. The other was for \$11,328 and covered the period of September 1987 through June 1988.

Mr. Patterson and Mr. Wetzel formed the company, Common Green, and were hired by the department in March 1988 to provide comprehensive intervention services for people with severe behavior challenges. This contract originally cost \$1,310,012, but is presently being amended to \$782,000 because of reductions in the department's budget. As part of a prior contract (mentioned above for \$46,560), Mr. Patterson was given the task of detailing specific services that could be performed for the department by an outside firm and their costs. However, the department later awarded the contract sole source to the Common Green Corporation.

All business start-up costs, such as office space, liability insurance, and computer equipment, were included in the cost of the Common Green contract. Thus, the consultants were able to use one contract to recommend and outline services that they would provide in a later contract.

Since there are no current statutory provisions concerning procurement of consultant services, the department was well within its prerogative to contract with these consultants without even seeking other proposals. Indeed, it must be emphasized, there was nothing illegal in the methods DMR used to obtain these consultants services. This case study, however, presents a situation whose appearance exemplifies why greater controls are needed in the selection and management of consultant services.