New Jersey Office of Legislative Services
Office of the State Auditor
Audit Report
Professional Service Contracts

As of September 30, 1995

Richard L. Fair
State Auditor
# Professional Service Contracts

## Audit Report

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NEW JERSEY STATE LEGISLATURE
OFFICE OF LEGISLATIVE SERVICES
OFFICE OF THE STATE AUDITOR
The Honorable Christine Todd Whitman  
Governor of New Jersey

The Honorable Donald T. DiFrancesco  
President of the Senate

The Honorable Jack Collins  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

We have completed an audit of professional service contracts as of September 30, 1995. New Jersey has a system to control the contracting for and the managing of professional service contracts. It requires the involvement of the Purchase Bureau, the Office of Management and Budget (OMB), the Office of Telecommunications and Information Services (OTIS), the State Treasurer, and the Attorney General which give the appearance of independent oversight and monitoring of the projects. However, we found that there was no consistency in the administration of professional service contracts. It was noted that some contracts were well planned and properly administered, while others had problems during every phase of the process. Problems were noted in the planning and awarding of contracts, but the area of most concern was the administration of the contracts.

The current process for the initial evaluation and approval of a project or contract is based on the premise that it is the agencies’ decision how to spend their appropriations. Even though approvals by OMB, OTIS, and the Purchase Bureau are required, such approvals appear to be more of a sign-off that paper work has been submitted than an actual agreement that the project should go forward. Even if the approving authorities disagree
or do not feel that adequate planning has been done, the requesting agency may still decide to go ahead with a project or contract. The general consensus is that OMB, OTIS, and the Purchase Bureau's role is to advise and facilitate the process.

Overall, agencies did very little to effectively administer or monitor the contracts for professional services. It did not seem to matter what type of contract was awarded, but rather the key element was the agency's resolve. Additionally, the roles of the various state agencies involved, as outlined in the laws and OMB policies, grant them fragmented responsibilities for the administration of professional service contracts with no clear responsibility to stop a contract when the work is progressing unsatisfactorily. These fragmented responsibilities also had the effect of relieving the agencies of accountability for the project.

Our review of the contracts was also to determine whether the state received reasonable value for each dollar spent. We noted certain contracts did not result in a prudent use of public resources. Specifically, some products received by the state 1) cost significantly more than originally contracted, 2) were not in accordance with contract terms or 3) were not beneficial to the state. We also found instances where the product contracted was never received or deemed inferior yet the contractor was paid a substantial portion of the contract amount. Details of the findings and recommendations are included in our report.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1.6 of the State Constitution and Title 52 of the New Jersey Statutes.

Richard L. Fair
State Auditor
June 5, 1996
Professional Service Contracts

Scope

We have completed an audit of professional service contracts issued by agencies of the State of New Jersey as of September 30, 1995. For the purpose of this review we have defined professional services as private sector skills acquired by the state for a fee under contract or agreement that defines an end product or service to be delivered. Those entities offer technical skills and have special licenses or other validating credentials. This term also refers to consulting advisory services, which due to the expertise offered, result in an analysis and recommendation for improvement. Our scope did not include architects and engineers which are normally contracted by the Department of Transportation or the Division of Building and Construction. Disbursements in accounts earmarked for professional services exceeded $300 million in 1995.

Objectives

The purpose of this audit was to evaluate the policies and procedures relating to the management of professional services contracts. We focused on the adequacy of the policies and procedures for project planning, contract development and contract administration. Our primary objective was to determine whether the administration of professional services contracts resulted in a prudent use of public resources.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1.6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

Our audit was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. In preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the State Comptroller, and policies of the Purchase Bureau. Provisions that we considered significant were documented and compliance with those requirements was verified by interview and observation and through our samples of financial transactions. We performed research on current available literature and other states' audit reports regarding governmental professional service activities. We reviewed technical publications relating to computer design and development techniques and methodologies. We also reviewed financial trends and interviewed agency personnel to obtain an understanding of the policies and the internal control structure. In addition, a survey was conducted regarding the administration for the contracts sampled.
Methodology (cont.)
A nonstatistical sampling approach was used. Our sample of contracts was designed to provide conclusions about the validity of contracts as well as internal control and compliance attributes. We selected a sample of 31 contracts which had activity within fiscal years 1994 and 1995. The contracts were judgmentally selected. Our selection encompassed a cross section of different types of professional services, acquired through different methods, and residing within different agencies of the executive branch. Treasury Circular Letter 92-12 (see appendix c) was used as the primary criteria for our testing. Twenty-five of our sample contracts were required to comply with the circular. Although this circular letter does not apply to all requests for professional services, it provides valuable guidance for the acquisition of any professional service.

Conclusions
In each area tested, including project planning, contract development and contract administration, we found a need for improvement. Even though the system requires involvement of the Purchase Bureau, the Office of Management and Budget (OMB), the Office of Telecommunications and Information Services (OTIS), the State Treasurer, the Attorney General and the operating agency making the purchase, we found that there was no effective independent oversight or monitoring of the contracts. We further noted that procedures were often poorly implemented and there was no consistency in the administration of the contracts tested. It did not seem to matter what type of contract was awarded, but rather a key element was the agency’s resolve. Some contracts were well planned and properly administered, but others had problems during every phase of the process. As a result, the current process does not assure that a contract will be successful and if the contract is not successful, that someone will be held accountable.
The circular letter requires a requesting agency to perform a needs assessment and to determine if existing state resources can provide the service. If the need exists and state resources are not available, then a detailed justification should be prepared by the agency and submitted to OMB for review and approval. When the request is for data processing, OTIS is also required to review the project before it is submitted to OMB. Each request submitted to OMB should include:

- A narrative statement describing the need and the benefit of the services and the expected outcome of the contract. It may also include a fiscal impact statement identifying expected revenues, savings, cost avoidance, or productivity changes.

- A disclosure of anticipated duration, cost and source of funds designated to complete the project. This data can provide valuable guidance during the contract development and administration phases of the project.

- All associated costs in support of the project. These forecasts are necessary during the planning stages, provide a control when bids are received and identify cost increases during the implementation stage. Accurate projections also permit comparisons between acquiring a contractor verses performing the service using existing or expanded state resources.

- The identification of the project manager and project sponsor. Assigning a qualified and capable project manager is essential to assure that a quality product is received.

Our review of the planning phase found no assurances that adequate planning was performed by the requesting agency or that an independent review was performed by OMB and OTIS. Furthermore, the state does not have a centralized data base to gather and disseminate information about the professional services approved and services actually delivered.

**OMB Approval**

We found that OMB involvement required by Treasury Circular Letter 92-12, as it is currently administered, did not add value to the process. No evaluation was actually performed by OMB to ensure that the service was reasonable and necessary. In actuality, the need was determined by the agency and only minimally documented to OMB.
For nine of our sampled contracts, the agency did not submit sufficient documentation for OMB to determine if the agency had adequately evaluated their need. Such an evaluation could have provided assurances that sufficient information was available and considered when the decision was made by the agency to proceed with the project. A major weakness was the lack of identification of associated costs, such as staff and EDP costs, and the price of similar contracts in order to permit cost comparisons.

In one contract, we found that the agency requested and subsequently paid for 75 licenses for access to a nation-wide data base at $50,000/year for three years. Our audit disclosed the agency only had the capability to utilize five licenses during the contracted three year period. The contract review process did not identify nor reject this request as unreasonable or unnecessary.

It was further noted that price projections were often inaccurate. The actual contract award for eight of the sample contracts varied more than 50 percent from the original estimate.

An agency submitted a price projection in one project for $400,000. However, this contract was awarded for $1.8 million. No follow up was performed by OMB to update the information from the estimate to the actual cost.

We found that agencies initiated contracts before receiving OMB approval or provided misleading information in order to obtain project approval. Four of our sample contracts were in process of award prior to OMB approval and one project was not even submitted to OMB. It should be noted that the failure to obtain OMB approval did not result in any repercussions for the agency.

An agency stated that the contract needed to be awarded because the project was federally mandated and failure to do so would result in the loss of federal funds. Our audit found both of these statements inaccurate as no federal dollars were involved in the project.
OTIS Approval

The circular letter and statutory requirement that OTIS' approval be obtained provides a false sense of security. When OTIS had concerns regarding a proposed project, they merely communicated their concerns in writing and approved the project. Considering the highly technical nature of these requests it would seem reasonable that OTIS should have the ability to ensure their concerns were addressed during the planning process. Our audit found that in the four contracts where OTIS raised concerns, the agencies did not respond to those concerns.

Cost Information

There is no centralized source for sharing or exchanging information between agencies. Although OMB maintains the Professional Service Management System and Database, the system only contains estimates of cost for projects that were submitted to OMB. It does not contain information on all professional service contracts nor final actual costs. In addition, the state accounting systems did not record information that could be readily extracted on amounts expended for these services.

The cost of five contracts could not be readily determined because payments were not applied against the proper contract, charged to multiple object accounts, or bypassed the purchasing management information system. This system is used to control contract activities.
A contract must provide for certainty of terms. It must be sufficiently clear, specific, and complete to be enforceable by a court of law. At this crucial stage in the process the scope of the tasks to be performed and the contractor's responsibilities, including specific terms to protect the state, are established. Payment terms outlined in the contract should correlate with the product. The matching of payments to the delivery of services ensures that the state receives a finished product and provides for recourse in cases of nonperformance. Sanctions, performance and retainage clauses should be incorporated in a contract to protect the state's interest against poor performance and to hold contractors responsible for delivering acceptable products and services. The results of this activity can affect the agency's ability to properly administer the contract.

For those services acquired through advertised bid, the agency works with the Purchase Bureau to develop the Request For Proposal (RFP). The RFP incorporates many elements of the contract between the state and the contractor. As part of the process, an evaluation committee is established to recommend the award to the bidder whose proposal satisfies the RFP considering price and other factors. For those services acquired through a waiver or Direct Purchase Authority, the agency develops the contract without the assistance of the Purchase Bureau or an evaluation committee.

Our audit found weaknesses in the procurement of professional services and deficiencies within the contract documents which have a direct affect on the agency's ability to manage the contractors. These weaknesses exist regardless of the method used to acquire the professional service.

**Scope of Work**

The contracts did not always clearly or accurately define the scope of the work to be performed. We noted five contracts which contained vague provisions in the scope of services. This may have occurred because agencies did not have a clear understanding of their needs as a result of weaknesses during the planning phase. This subsequently affected their ability to develop a quality RFP. A superior court judge of the Appellate Division, rendering an opinion for one of the sampled contracts that was protested, stated that "The public interest would have been better served if the Division spent more time and effort in the preparation of a clear and specific RFP than in using the State's limited resources to defend one such as this. This matter was costly for everyone to no good end."
Scope of Work
(cont.)

Since the scope of work for a project was not clearly defined, the contract was structured on a time and material basis without the ability to hold the contractor accountable for the completion of the project. The contract was originally established as a one year contract for $678,000. After five years and an additional $1.6 million, the project is still not completed.

After an RFP had been reviewed, the agency added a requirement to install a computer system. Due to time restraints, the RFP was sent out for bid. Subsequently, this section of the RFP had to be withdrawn because it was so poorly prepared and had not been reviewed by OTIS.

Since it is not unusual for the awarding of a contract to take more than three months, we found that agencies will submit requests that do not permit adequate time to properly review and process a contract. This may result in the extension of the existing contract or the untimely issuance of the new contract.

Our audit disclosed two instances where the agencies initiated the RFP process late and submitted essentially the same provisions as the previous contract even though the services to be provided by the contractor had changed. This resulted in the Purchase Bureau not just extending the existing contract, but also issuing extensions with inaccurate terms.

Ineffective results occurred in an advertising contract relating to a seasonal project because enough lead time was not provided to allow for the five months it eventually took to obtain the award.

Sanctions, Performance and Retainage Clauses

We found that only two contracts stipulated specific provisions for sanctions or performance clauses. Furthermore, nine contracts which we reviewed did not include provisions for retainage even though it would have been appropriate to do so. This occurred because agencies assumed success. They viewed the contractors as "the experts" and did not see nonperformance as a real possibility.
Sanctions, Performance and Retainage Clauses (cont.)

Of the 12 sample contracts which contained retainage clauses, we found only one where the retainage clause was properly enforced. In five of these contracts, the agency was given the option to withhold retainage. This option resulted in conflicting instructions which caused a misunderstanding of terms. Generally, agencies did not understand the concept of retainage and how to use it to ensure performance. Some agency managers erroneously believed that the computer system automatically withheld retainage.

Payment Terms

Payment terms in the contract did not always correlate to the product. We found five contracts where the payment terms were to be made independent of the services provided or the product produced.

One contract for a manual required payments to the contractor when the agreement was signed and prior to the commencement of work.

Two other contracts stipulated payments to be made on a time and material basis without regard to the completed product.

Two contracts charged a periodic fee regardless of whether the service was provided.

Evaluation Committee

Evaluation committees are only established on a limited basis to review contractors' proposals, listen to oral presentations and make award recommendations. We found that the Evaluation Committee did not have a sufficient role in preparing and approving the RFP, nor did they have the responsibility for a project's successful completion. We further noted that although committees evaluated counter offers made in vendor proposals that materially changed the terms and conditions of the RFP, they did not have a formal role in the overall success of the project.

During an oral presentation, modifications were agreed to when a bidder clarified his proposal. Although the promises were subsequently documented in writing by the contractor, they were not made part of the contract. Therefore, the bid process was compromised because the award recommendations were made based on the modification which materially impacted cost and deliverables.
A vendor's proposal was submitted which contained material term changes versus those outlined in the RFP. When the Purchase Bureau granted the award to the contractor, it was contingent on their withdrawal of the changes. The contractor prevailed however, when the agency later received the contract and it accepted the modified contract terms.
AMENDMENTS AND EXTENSIONS

Professional service contracts were frequently amended and extended and these changes normally benefited the contractor. Examples of such changes include alterations to the project standards, deliverables, milestones, payment schedules and time frames that were not considered in the original contracts.

For purposes of this report amendments are described as changes that alter the original contract while extensions are new contracts. Amendments and extensions require the approval of the Purchase Bureau. In accordance with the circular letter, if the original contract was approved by OMB, then amendment for additional funding and extension of completion dates must also be approved by OMB. We found that the process did not ensure that the agencies obtained approval from OMB as required by the circular letter. Of the 25 contracts in our sample that were subject to the circular letter, 15 had subsequent amendments or extensions. Of the 15, 12 were not submitted to OMB for review.

Eighteen of 31 tested contracts had amendments and extensions. The eighteen contracts were originally awarded for $54 million. However, an estimated $23 million was added to the cost because of the changes: $16 million in extensions and $7 million in amendments. Three amended contracts involved cost increases of more than 70 percent over the original award.

A contract for computer system design and development was informally amended for additional work at a cost of $482,000. There was no cost benefit analysis to document the need for the amendment.

An amendment for a contract for an operational review was not in writing and was not referred to the Purchase Bureau or OMB for approval. While the original contract called for a completion period of six months, the amendment gave the contractor an additional six months to complete the work.

It was noted that the required documentation for the Purchase Bureau to approve an extension of a contract was not adequate. Normally they only require 1) a letter from the agency requesting the extension, 2) a
statement that there were no problems with the contractor's performance
during the previous period and 3) a letter from the contractor accepting
the extension. Therefore, extensions were requested by the agency and
approved by the Purchase Bureau without measuring the results from
the current contract or performing a comprehensive re-evaluation of
need. This practice may not assure adequate competition and as a
result the state may have incurred unnecessary cost.

A consulting contract was awarded for a one year period and the
Purchase Bureau subsequently approved four one-year
extensions. We found that the agency had requested the
extensions without ever establishing performance measurements
for the contract or independently verifying the performance
reported by the contractor.
Contract administration is the ongoing review and management of the contractor's performance. It should compare performance against the scope of services specified in the contract, review expenditures and ensure compliance with contract requirements. In order to properly perform this function, a work plan with milestones should be established for specific tasks. The work plan should detail when each task will begin and end, and should specify the time frames as well as the resources required for completion. The work plan also provides for reassessments of the progress and should be maintained and updated throughout the duration of the project. At the conclusion of the project, agencies must submit a Professional Service Evaluation Report to OMB prior to release of the contractor's final payment in conformance with the circular letter.

Contract administration includes fiscal management which assures adherence to laws, circular letters, internal procedures, codes, contractual payment terms and other requirements regarding the expenditures of funds. It also includes project management which reviews whether services have been delivered and have achieved the desired outcome. In addition there should be independent monitoring to assure that there is sufficient feedback to the approving agencies.

We found a lack of consistency in the administration of professional service contracts. A general problem was that no one is held accountable for an unsuccessful project. This was further complicated by the fact that often no one outside of the contracting agency knew the results of the contract and agencies did not often report problems. In response to our survey, more than 90 percent of the project managers reported general satisfaction with contractors despite the myriad of problems noted during the audit.

Our review of the contracts to determine whether the state received reasonable value for each dollar spent found ten contracts where they did not result in a prudent use of public resources. Specifically,

- three contracts involved the receipt of products which cost significantly more than originally contracted;
- two contracts involved products that were not what we contracted for, yet the contractor was paid;
- three contracts involved products that were not used by the state; and
- two contracts involved products deemed inferior, yet the contractor was paid a substantial portion of the contract amount.

We found deficiencies with both fiscal and project management. A major cause for the weaknesses were the lack of training received by project managers. Our survey of project managers indicated that only 25 percent had any formal training in contract management. In addition, less than 50 percent of project managers felt that they were selected as project managers because of experience in the area. It was further noted that the general duties and experience of project managers were not defined by OMB, nor were they in writing at the agencies.

**Fiscal Management**

We noted in 17 of the 31 contracts reviewed that the project managers did not ensure that payments were accurate, properly supported and in compliance with the contract. A contributing factor was that the agencies' fiscal units often had only a minor role in the projects. Specific types of weaknesses noted are discussed below.

Payments for eight contracts were not based on deliverables. There were up-front and automatic payments which were not linked to the progress in reaching the contract objectives. As a result, payments were made for services that were not performed.

In one contract, fixed monthly payments were made to the contractor by dividing the annual contract estimate by 12, even though the contract terms required payment for two separate projects based on hourly rates. Our audit further disclosed that one project was never implemented and the contractor was not required to report and document the number of hours worked.

In another contract, the vendor billed on a fixed monthly fee and those billings were paid. The original contract called for payments based on tasks and deliverables completed. As of June 1994, the contractor had been paid $668,000. As of February 1996 the state had yet to accept the product of the contractor.

In still another contract, the full payment was made prior to the completion of the project and the delivery of the product.
Payments on seven sampled contracts were not supported by adequate source documentation. Such information was necessary to determine the accuracy of billings. It was noted that payments were made for items not included in the terms of the contracts and in excess of contract prices.

The project managers for three multi-year advertising contracts totaling $33 million did not require or maintain adequate cost information. As a result, it is unknown whether the state paid the correct amounts for the product received.

A contract for data analysis and litigation advice was approved for $105,000. The contractor was allowed to accumulate cost overruns of an additional $105,000 and a confirming waiver was required for approval to pay for the overruns.

A contractor was paid $250,000 for services not included in the contract terms. As a result of the precedent set with the payment, the agency may also be liable for additional payments to this contractor for a period up to five years.

Weaknesses in program management resulted because contract terms were often vague, agencies' project managers were not properly trained and were ineffective in keeping the contract on track with established goals and time frames. Managers were not always able to properly control the contractor. We found project management weaknesses in 22 of 31 tested contracts. Specific types of weaknesses are discussed below.

Agencies were unable to properly measure performance of the contractor because an adequate work plan or a schedule of deliverables was not developed for seven of the contracts reviewed.

The scope for a consulting contract was not defined until after all work was completed by the contractor. At this point the contract cost had doubled.
There were inadequate or no reporting of program results by contractors to ensure contract conditions were met in 13 of the contracts reviewed.

The general terms for a contract required the vendor to meet certain quotas for a given year. The project manager however only received sporadic monthly reports on the contractor's accomplishments. Therefore, the project manager could not verify whether the work was performed.

Agencies were unable to obtain deliverables from contractors on schedule for six of the contracts tested. In two cases, the contractor's failure to meet the deadline meant that the agency was unable to respond to the public need in a timely manner.

Agencies rarely wrote contractor performance evaluations at the end of the contracts. Nine of the ten evaluations required had not been submitted to OMB. These evaluations would provide state agencies with information enabling them to determine whether potential contractors have satisfactorily completed previous state contracts.

There was no evidence of any project management for one contract. The project files could not be located and no one acknowledged being the project manager. A copy of the contract report could not be located at the agency and was obtainable only from the contractor.

Our audit found that there was no effective independent monitoring of professional service contracts. There was no independent monitoring by OMB as required by the circular letter. Furthermore, monitoring by OTIS as required by legislation was often not effective and the Purchase Bureau currently has no responsibility to monitor contracts. An independent unbiased monitoring of contracts is necessary to evaluate the results and provide feedback to the Purchase Bureau. Such information will assist in identifying problems during the contract and should improve the development of future contracts.
To improve the acquisition and management of professional service contracts, we recommend restructuring of the current system. The Treasurer should move the preliminary evaluation and subsequent monitoring responsibilities from OMB to the Purchase Bureau. This could be accomplished by transferring the positions currently designated for the Contract Administration Unit (CAU). This would enable the Purchase Bureau to expand its role from essentially a customer service function to that of centralized control for professional services contracts. The newly located CAU could perform the following functions:

Administer Circular Letter 92-12.

Update and revise the circular letter requirements.

Assist agencies in the preparation of the initial assessment of need and in estimating project cost.

Define interim and final reporting requirements based on the nature of service or cost.

Monitor in-process contracts and provide feedback to the Purchase Bureau concerning actual or potential problems during the administration of the contract.

Complete a final evaluation of the projects, including a determination of final cost and an accurate assessment of the success of the contract. This information can be used to improve future contracts.

Expand the role of the Evaluation Committee. The committee members should become involved in an advisory capacity throughout the entire process. The committee should include members currently involved in the process and should formalize their relationship and responsibilities. The committee should include at a minimum:

Project sponsor
Project manager
Fiscal representative from the agency
Purchase Bureau representative
Others as necessary
The Evaluation Committee should:

Approve the RFP before it is sent to Purchase Bureau.

Evaluate the bids and recommend the vendor.

Approve contract amendments and change orders.

Review periodic progress reports and notify the CAU when there are contract problems and when the contract is completed.

Review and approve the final performance assessment and send it to the Contract Administration Unit.

Approve final acceptance of the project and recommend final payment.

The role of OTIS should be expanded. They should act as the project manager for information and data processing contracts. OTIS should provide the expertise necessary to administer these contracts under the supervision of the Evaluation Committee.

The Circular Letter should be expanded to define the responsibilities and authorities of the project manager. In addition, the Department of the Treasury in conjunction with the Department of Personnel should provide training in contract management and make training a requirement for project contract managers.
RESPONSIBILITIES OF STATE AGENCIES INVOLVED IN PROFESSIONAL SERVICE CONTRACTS

AGENCY - Each state agency is charged with the responsibility for obtaining the maximum value from consultant and advisory services contracts and to ensure that all contract requirements are fulfilled. Treasury Circular Letter 92-12 describes their expected roles and establishes policies and procedures for agencies to follow to effectively plan and manage professional consulting services with the expectation that projects will be completed on time and within budget. This policy stipulates outside approval procedures to be followed for selected professional services requests. However, the agency’s duties outlined in this policy are applicable to any type of professional service acquired by them. A synopsis of the expected agency role follows in a somewhat chronological order:

- identify a service that needs to be done within the mission of the unit

- define the scope and objectives of the project

- determine whether the work can be done in-house by existing staff

- obtain agency official approval for the concept of the project

- assign project manager and project sponsor to oversee the administration of the project

- determine estimated costs and if the funds are available. Contact potential vendors to perform the service.

- obtain approvals from OTIS and OMB if estimated costs exceed $8,800

- for estimated costs in excess of $10,500, Purchase Bureau involvement is mandatory, either through an approval of a waiver of advertisement or a facilitator of the contract award process through an advertised bid
- enter into a contractual agreement with the selected vendor, which identifies the terms and conditions required by the consultant. They develop the scope, deliverables and method of payment.

- manage the contractor

- monitor progress (program and fiscal)

- pay the contractor

- approve final report prepared by the contractor, if applicable

- evaluate contractor’s performance. For services falling within the circular letter, an evaluation form would be completed by the agency and forwarded to OMB

DIVISION OF PURCHASE AND PROPERTY (PURCHASE BUREAU) - NJSA 52 throughout, specifically NJSA 52:18A-19 authorizes the (Purchase Bureau) to arrange an agency’s applications and schedules for all articles to be purchased therefor for purchase and contract, in the manner best calculated to attract competition and advantageous prices. According to NJSA 52:34-12, the (Purchase Bureau) shall award contracts or orders for purchase to that responsible bidder whose bid, conforming to the Request for Proposal (RFP), will be most advantageous to the state, price and other factors considered. Also, the (Purchase Bureau) has the authority to reject bids if deemed to be in the best interest of the state to do so. For advertised bids, they shall prescribe the terms and conditions for delivery, inspection, payment and all other detail whatsoever. Upon award, the (Purchase Bureau) processes the encumbrance request. Also, the (Purchase Bureau) approves, processes, and forwards to the State Treasurer for final approval those agency requests for waiver on professional services which are exempt by law from advertisement. In summary, these laws involve the (Purchase Bureau) as the focal point to facilitate the process of obtaining professional services from the private sector. The decision to acquire such services with the mandated approvals from other state agencies occur prior to the (Purchase Bureau’s) involvement.

The (Purchase Bureau’s) role for professional services obtained through formal advertised bids is one of a facilitator of the award process. They assist the agency in writing the scope and objectives for the procurement
and develop the RFP. Included in the RFP are the standard terms and conditions written by the (Purchase Bureau) as a way to ensure protection of the state's best interest. They take the lead during the bidder's conference and any oral presentations held for clarification of the vendor's proposal. They chair the Evaluation Committee who develops the technical score criteria and makes an award recommendation to the Director for his/her approval.

OMB - Classified within the Budget, Management and Planning program in the Governor's Annual Budget Message, they are to: 1) plan for the most beneficial use of fiscal resources to meet the needs of the citizens of New Jersey within the policy framework set by the Governor in the immediate budget year; 2) evaluate the effectiveness and need for carrying out state programs as an ongoing budget activity; and 3) assist agencies in management methods and administration. Treasury Circular Letter 92-12 establishes policies and procedures for OMB to follow in applying their mission to professional service acquisitions, assuring effective monitoring and control. Only selected professional services are subjected to these procedures. OMB's assignments include: 1) review and approval of requests; 2) monitor the projects; 3) release final vendor payment; and 4) maintain a data base management system.

OTIS - By statute (NJSA 52:18a-186 et seq), this agency has been chartered to provide assurances that effective, efficient and economical practices are occurring in the state's use of consulting firms in information processing studies or projects and in the purchase of information processing services. In order to accomplish the foregoing, the law goes on to mandate OTIS: 1) evaluate all requests to acquire those services; 2) be responsible (along with the using agency) for selection and acquisition decisions; and 3) monitor the progress of consultants. OMB has interpreted OTIS's role in their circular letter 92-12 to include granting approval for professional services requested by an agency involving information or data processing activities.
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<tr>
<td>Department of Commerce</td>
<td>Consulting service</td>
<td>191,900</td>
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<tr>
<td>Department of Transportation</td>
<td>Weather services</td>
<td>48,480</td>
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<tr>
<td>Department of Banking</td>
<td>Development of an instructional guide</td>
<td>2,400</td>
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<tr>
<td>Department of Personnel</td>
<td>Data analysis and litigation support</td>
<td>210,000</td>
</tr>
<tr>
<td>Department of Education</td>
<td>Comprehensive compliance audit</td>
<td>809,526</td>
</tr>
<tr>
<td>Office of Administrative Law</td>
<td>Temporary law judge</td>
<td>144,602</td>
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<td>Military &amp; Veterans Affairs</td>
<td>Benchmark study veterans' home</td>
<td>44,110</td>
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<tr>
<td>Division of Medical Assistance</td>
<td>Third party liabilities recoveries</td>
<td>3,132,556</td>
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<tr>
<td>Division of Family Development</td>
<td>Advertisement campaign for teen pregnancy</td>
<td>72,000</td>
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<tr>
<td>Division of Family Development</td>
<td>Advertisement campaign for teen pregnancy</td>
<td>150,000</td>
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<tr>
<td>Division of Rate Payer Advocate</td>
<td>Review rate increase for public utilities</td>
<td>14,850</td>
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<tr>
<td>Department of the Treasury</td>
<td>Review of state utility bills</td>
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<td>Department of Human Services</td>
<td>Audits of pharmacies and hospitals</td>
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<td>Department of Transportation</td>
<td>Advertising campaigns</td>
<td>7,500,000</td>
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<td>Department of Education</td>
<td>Educational testing and grading service</td>
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<td>Div. of Pensions &amp; Health Benefits</td>
<td>Actuarial services</td>
<td>1,185,639</td>
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<td>Div. of Pensions &amp; Health Benefits</td>
<td>Actuarial services</td>
<td>304,000</td>
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<td>Department of Agriculture</td>
<td>Advertising campaign</td>
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<td>Department of Commerce</td>
<td>Advertising campaign for travel and tourism</td>
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<td>Department of Health</td>
<td>Education and training health care providers</td>
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<td>Office of the Public Defender</td>
<td>Legal representation</td>
<td>89,138</td>
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<tr>
<td>Office of the Public Defender</td>
<td>Legal representation</td>
<td>23,498</td>
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<tr>
<td>Department of Labor</td>
<td>Computer system upgrade</td>
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<td>Department of Personnel</td>
<td>Database system and data entry for training catalog</td>
<td>612,148</td>
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<tr>
<td>Department of the Treasury</td>
<td>Baseline study</td>
<td>312,225</td>
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<td>Department of the Treasury</td>
<td>Design and development of computer application system</td>
<td>9,981,910</td>
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<tr>
<td>Higher Education</td>
<td>Design and development of computer application system</td>
<td>2,284,129</td>
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<tr>
<td>Department of Human Services</td>
<td>Design and development of computer application system</td>
<td>17,636,000</td>
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<td>Department of Human Services</td>
<td>Performance review</td>
<td>993,972</td>
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<tr>
<td>Higher Education</td>
<td>Application audit of computer system</td>
<td>33,000</td>
</tr>
</tbody>
</table>

**Total**                                                                   | **$82,603,288**
I. PURPOSE:

The purpose of this Circular Letter is to establish policies and procedures for agencies to follow when requesting Professional Services. The provisions of this Circular Letter apply specifically to requests for Consulting Advisory Services and extensions thereof, and shall be used in conjunction with other Department of Treasury policy directives to include, but not limited to:

**OTIS PS 84.1**: Responsibilities Associated with Systems Development

**89-21-OMB**: Purchase of Goods and Services from State Colleges and Universities

**90-06-OTS**: Information Processing Policy

**90-25-GSA**: Requests for Waivers of Advertising

**91-16-OMB**: Spending Controls

This Circular Letter supersedes Circular Letter 91-26-OMB, Review of Consultant/Professional Services Requests by Management Services (May 1, 1991) and portions of Circular Letter 91-16-OMB which pertains to consultants.

The Policies and Procedures are effective upon receipt and apply to all requests and other actions obligating or expending funds.

II. BACKGROUND:

Effective planning for and management of professional consulting services will result in projects being completed on time and within budget.
As a result of a review of Professional Services Expenditures, the Office of Management and Budget (OMB), Department of the Treasury, has established a Professional Services Management System and Database. This system will be used for reviewing, monitoring and reporting on selected professional and general services purchased by state agencies.

III. SUMMARY OF CHANGES. LISTED BELOW ARE BRIEF DESCRIPTIONS OF CHANGES TO PREVIOUS POLICY:

The dollar amount threshold for requests requiring OMB review is decreased to $8,800.

The time or duration threshold of six months or greater for requests requiring OMB review is eliminated.

Requires all requests for Professional Services involving information or data processing to be approved by OTIS prior to OMB review.

Expands the explanation and intent of the OMB review of requests for Professional Services.

IV. REVIEW OF CONSULTANT ADVISORY AND DISCRETIONARY/GENERAL SERVICE REQUESTS:

A. Except as provided for in D below, consultant advisory requests that are in excess of $8,800 will be sent directly to the Office of Management and Budget, 33 West State Street, 6th Floor, CN 004, Trenton, NJ 08625-0004. OMB’s review will ensure coordination, provide for appropriate review, assure effective monitoring and control, and establish procedures for processing requests for consultant advisory services as defined in Section V A below.

B. All consultant advisory services requested from the State Colleges, Rutgers, the State University, the University of Medicine and Dentistry of New Jersey (UMDNJ), the New Jersey Institute of Technology (NJIT), and the New Jersey Educational Computer Network (ECN) or other state agencies or quasi-government agencies, will be in accordance with this Circular Letter.

C. Requests for additional funding or extensions to contracted completion dates for previously approved projects and contracts are subject to review by OMB. Such requests must include the reason and justification for the extension. Requests for additional funding must also include appropriate fiscal forms and documents.
D. Request for Professional Services involving information or data processing must be reviewed and approved by the Office of Telecommunications and Information Systems (OTIS) prior to consideration by OMB. Such request should be forwarded to the Deputy Administrator for Design and Development, OTIS, CN 212, Trenton, NJ 08625-0212. Upon approval OTIS will forward the request to OMB and advise the requesting agency of their approval. Request for Professional Services involving information or data processing received by OMB without OTIS approval will be returned to requesting agencies without action.

V. DEFINITIONS:

A. Consulting Advisory Services are those which result in an analysis and recommendation for improvement. Included are studies and surveys related to program research, planning, monitoring and evaluation; organizational development; financial, management, workflow, and procedures analysis; computer systems feasibility or advisability; and data processing development.

B. Mandatory/Technical Services - includes all services which are of a necessary operational nature and/or require unique professional or technical skills or providers to have special licenses or other validating credentials. This category includes services provided by physicians, nurses, hospitals, therapists, inspectors, rate setters, lawyers, appraisers, surveyors, claims processors, laboratories, transcription service providers, expert witnesses and other operational type service providers. These services are not subject to OMB review.

C. Discretionary/General - includes all services that are optional and may be delayed or deferred. These services are general in nature, are not consulting advisory, are not a vital life safety or health issue, do not require any unique professional or technical capabilities and are not included in the two previous definitions. These services are subject to OMB review.

VI. SCOPE:

A. The requirements of this Circular Letter apply to all state agencies.

B. Requests will be processed in accordance with the provisions of this Circular Letter without regard to fund source.

C. Those consultant advisory services indicated below in the Commodity Code Description List are to be processed in accordance with this Circular Letter.
### Commodity Code Descriptions

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>794-04</td>
<td>AGRICULTURAL CONSULTING SERVICES</td>
</tr>
<tr>
<td>254-10</td>
<td>DATA PROCESSING SYSTEMS ANALYSIS</td>
</tr>
<tr>
<td>254-30</td>
<td>DATA PROCESSING SYSTEMS DESIGN AND IMPLEMENTATION PROGRAMMING SERVICES</td>
</tr>
<tr>
<td>794-33</td>
<td>ECONOMIC CONSULTING</td>
</tr>
<tr>
<td>794-30</td>
<td>FACILITY MANAGEMENT CONSULTING SERVICES</td>
</tr>
<tr>
<td>794-28</td>
<td>INVESTMENT ADVISORY SERVICES</td>
</tr>
<tr>
<td>794-43</td>
<td>MANAGEMENT CONSULTING SERVICES (NON-FINANCIAL)</td>
</tr>
<tr>
<td>794-42</td>
<td>MANAGEMENT FEASIBILITY STUDIES</td>
</tr>
<tr>
<td>794-44</td>
<td>MARKET RESEARCH SERVICES</td>
</tr>
<tr>
<td>794-50</td>
<td>ORGANIZATIONAL ANALYSIS</td>
</tr>
<tr>
<td>794-55</td>
<td>PERSONNEL MANAGEMENT CONSULTING SERVICES</td>
</tr>
<tr>
<td>794-71</td>
<td>PROGRAM EVALUATION</td>
</tr>
<tr>
<td>794-73</td>
<td>SCIENTIFIC RESEARCH STUDIES</td>
</tr>
<tr>
<td>794-83</td>
<td>WORK FORCE/EMPLOYEE PRODUCTIVITY STUDIES</td>
</tr>
</tbody>
</table>

D. Request for services that are mandatory/technical do not require OMB’s review and approval unless they are advisory in nature.

### VII. Procedure for the Submission and Review of Requests for Consultant Advisory Services:

A. Prior to requesting any consultant advisory services, regardless of cost or duration, agencies are encouraged to first determine whether such services are available through OMB which will be provided at no cost. This includes project management consulting, management studies pertaining to organizational, administrative or operational matters, information processing studies such as problem definition, needs analysis, user requirements, functional analysis, and feasibility studies. Inquiries regarding free services should be directed to Assistant Director, OMB, Financial Management, CN 213, Trenton NJ 08625-0213.

B. All requests for Professional Services involving information or data processing must be reviewed and approved by the Office of Telecommunications and Information Systems (OTIS) prior to consideration by OMB.

C. All requests for consultant advisory and discretionary/general services in excess of $8,800 shall be forwarded directly to OMB for review and approval.

D. Such request shall contain, at the minimum, the information and/or documentation discussed below. Incomplete submissions will be returned to the requesting agency without action.
1. A narrative statement describing the need for and benefit of such services in sufficient detail to facilitate a thorough and timely review. For requests with an anticipated cost of over $50,000, a fiscal impact statement is required. Fiscal impacts are defined as revenues, savings, cost avoidances and productivity changes. This statement will identify the type and amount of any anticipated fiscal impact if the request is approved.

2. The identification of all associated costs. Staffing costs must clearly identify new staff and existing staff that will be needed for the planning/consulting phase as well as for the future on-going implementation phase. Costs for external agency resources, e.g., OTIS, must be included. Impact on other state agency information systems, e.g., NJFIS, PMIS, MACS, are to be identified as well.

3. A concise description of what the agency desires the consultant to accomplish for them.

4. The anticipated duration and cost of the project and the source of funds designated to support the project.

5. The identification of the agency project manager and identification of the agency's project sponsor. (The project sponsor is the senior agency manager responsible for implementing the project. This individual normally manages the project manager.)

6. All required documentation - Request for Proposal (RFP) or contract, Requisition/Encumbrance (PB-6), Agency Application to Obligate Funds (PB-3), or Agency Contract Application (AR-45), and/or Request for Waiver of Advertising (PB-129).

7. A completed OMB Consultant Request Summary Sheet. (Enclosure 1)

E. OMB is the focal point for providing consulting advisory services and for liaison with the General Services Administration (GSA) in the acquisition of private consultants or services. Processing of the procurement of consulting advisory services under GSA polices regarding requests for waivers of advertising will not commence prior to OMB review. The purpose of the OMB review of the documentation and information included in the request is:

1. To determine if the request is reasonable and necessary, that the benefit justifies the commitment of resources and to plan for the effective consideration of any fiscal impact in the future.
2. To ensure that the all other state agencies or systems who may be impacted upon have been included in the total consideration of the request.

3. To identify and plan for other associated costs that could result from the request.

4. Determine if OMB or any other state agency has the staff resources to provide the services being requested.

VIII. GUIDELINES FOR SELECTING AND MONITORING CONSULTANTS:

A. Appropriate and effective use of consultants requires careful and continuous supervision and management by the state agency while the effort is in progress. The following elements are critical to the process of selecting consultants and will help obtain maximum benefit from their work and fulfillment of all contract requirements:

1. A clear understanding of the project specifications or scope which precisely defines what work the consultant will perform.

2. A clear statement of the specific terms and estimated costs of the consultant's responsibilities and detailed descriptions of time frames and nature of required end products.

3. A qualified and capable project manager for the agency. While OTIS may choose to manage the technical aspects of some consulting engagements, the agency retains overall project management responsibility.

IX. CONTROL, MONITORING AND REPORTING:

A. All Consultant Advisory Services will be purchased under either Object Code - 34, Information Processing External or Object Code 36, Professional Services. See attached revision of the New Jersey Chart of Accounts for revised definitions and titles in Object Codes 36 and 38.

B. All agencies will indicate the exact correct commodity code on all invoice and payment documents.

C. The requesting agency is responsible for obtaining maximum value from consultant and advisory services contracts and to ensure that all deliverables are met.

D. Project managers are required to maintain a complete detailed list of all change orders that occur within the project, even if such change orders do not effect costs on other elements of contract deliverables.
E. OMB will monitor all consultant advisory projects that are in excess of $8,800. OMB will be conducting in-progress and final reviews for Professional Consultant Services projects which will require all Agencies to report standardized information to be recorded on the Professional Services Management System and Database.

1. Agencies will be required to submit a Professional Service Evaluation and Assessment Review Form at the conclusion of the project on all consultant projects which are at least $8,800. The review form will be used to evaluate vendor performance and to summarize the findings and recommendations of the consultant advisory project. Evaluation and Assessment Review Forms will be included with OMB approval letters.

2. At the conclusion of the Professional Services Consulting Services project, the vendor will be required to submit an Agency approved, final report to OMB in order to release the final vendor payment.

3. This information should be sent to the Office of Management and Budget, 33 West State Street, 6th Floor, CN 004, 08625-0004.

F. OMB will forward approved requests to the Purchase Bureau, GSA or the Accounting Bureau of OMB, as appropriate. Agencies will be provided notices of OMB approvals and other instructions as applicable.

Richard F. Keevey
Director
ATTACHED ENCLOSURES WERE NOT INCLUDED IN THE INITIAL DISTRIBUTION OF CIRCULAR LETTER 92-12-OMB. PLEASE ATTACH THIS INFORMATION TO YOUR CIRCULAR LETTER.
30 -- Travel
All charges and expenses necessarily incident to travel of State Employees, including care and subsistence while in travel status, are charged here. It includes public carrier fares; food and lodging, automobile hire; car parking charges; and mileage allowances. Expenses for conventions, returning runaways, interstate transfer of patients, etc., are included. The charges shall be made in accordance with the "State Travel Regulations."

31 -- Telephone
This account includes all charges for telephone service (including mobile telephone and FAX services) and telegraph service, including telephone answering services and directory listings, rental of data transmission lines, and devices (such as modems/data sets, multiplexors, concentrators).

32 -- Postage
This account includes charges for postage fees, post office box rentals, parcel delivery service, and contract messenger service.

33 -- Insurance
This account includes all charges for insurance (except life insurance and health benefits insurance) including: fire, casualty, marine, surety bonds, boiler and elevator insurance, and any other miscellaneous types of coverage.

34 -- Information Processing, Development and Related Services (External)
This account includes all expenditures for Information Processing services, development, software and equipment rental.
1. Information Processing services performed by other State Agencies or outside vendors except charges for services rendered by the Office of Telecommunications and Information Systems. (see Object 39)
2. Information processing support services such as customer engineering, systems engineering and EDP consulting.
3. Software
   a. Rental/license payments
   b. Purchase payments of software
   c. Maintenance costs (software upgrades)
4. Information system development performed by other State Agencies or firms or individuals who, for a fee, render professional services of a technical nature directly related to information systems, except charges for services rendered by the Office of Telecommunications and Information Systems. (see Object 39)
   a. Advisability Studies
   b. System Design
   c. Programming and Testing
   d. Implementation
   e. Training

5. Equipment Rental
   a. Rental payments-information processing equipment (excluding lease purchase agreements)
   b. Maintenance costs

NOTE: Rental of data transmission lines, and devices shall be charged to the Object 31 account.

35 -- Household and Security
   This account includes all charges for:
   1. Food service operated on a contract or concession basis.
   2. Custodial and security services; uniform towel and linen rentals; laundry and dry cleaning; extermination; refuse disposal; armored car service; installation, rental and maintenance of vendor owned security equipment.

36 -- Professional Services
   This account includes charges for:
   1. Medical, dental and psychiatric examination, diagnosis, treatment, and consultations.
   2. Hospital charges, including room and board, drugs, appliances, supplies, x-ray and fluoroscopy, laboratory tests.
   3. Nursing services and ambulance service
   4. Repair, adjust or replace dentures, eyeglasses and other esthetic devices.
   5. Educational consultants, special instruction, speech valuation and corrective therapy.
   6. Psychological consultants and therapy.
   7. Fees and honorariums paid to speakers at meetings, assemblies, and baccalaureate and commencement exercises.
   8. Fees paid to barbers and beauticians.
   9. Payments to cooperating teachers (for student teaching supervision).
10. Firms or individuals who, for a fee, render professional services of a technical nature directly to management in such areas as: program planning and evaluation, organization development, work analysis, operations analysis, management policies and practices, financial information, and engineering services.

11. Purchased service of process (subpoenas, summonses, writs).

12. Legal; fees and court fees (pretrial, court appearances, hearings, appeals, condemnation proceedings).

13. Investigative expenses (witness fees, expert testimony, purchase of evidence).

14. Fees for title searches, title insurance, recording of legal documents and instruments, appraisal fees.

15. Court reporting services, court and hearing transcripts, hearing stenographers.

16. Commitment fees.

17. Social Service Exchange charges.

18. Rental of Hearing Rooms.

37 -- Inmates/Patients Wages and Payments to Discharged Inmates

38 -- Other Services

This account includes:

1. Payments approved under the New Jersey State Employees' Award Program.

2. All charges for organized programs for education, training and development of State employees, including fees and expenses of instructors and conference or discussion leaders for organized seminars; training conferences or presentations; tuition payments and related charges for "out-service" training of employees; and charges for travel and subsistence in connection with staff training; supplies purchased for the conduct of State developed training programs.

3. All charges for legal and other advertising, such as solicitation of bids, publication of official (legal) notices, and personnel recruitment.

4. All charges for subscriptions, memberships, representation or association with organizations or institutions established in fields pertinent to an agency's activities or programs. (State Colleges, however, shall charge the cost of periodicals for their library collections to account "23 Medical/Education/Rehabilitation".)
5. Charges for entertainment of patients, inmates and students in State institutions, schools and colleges and for other State sponsored social activities or functions: commencement and convocation expenses; and meals or refreshments served to guests at official receptions, meetings, conferences or retreats.

6. Charges for microfilming service performed by other State agencies or outside vendors. (Account 47 -- Rent - Other, should be used for rental of microfilming equipment).

7. Payments made in connection with relocation of households or businesses displaced by acquisition of property for interstate highway construction.

8. Charges for all other services, professional or nonprofessional, not classified in any other account, including:
   a. Special monitors an examiners for conducting tests and examinations; purchased tests, examinations and examination services; charges for grading or other processing of tests and examinations.
   b. Payments in lieu of taxes and for undifferentiated municipal services (but not direct charges for utilities or identified services).
   c. Moving expenses.
   d. Securities issuance and service charges.
   e. Accreditation Fees.
   f. Charges for engraving name plates, plaques, plates and trays.
   g. Fees for Notary Public commissions.
   h. Any other unusual or special types of services which cannot be classified elsewhere.
   i. Religious Services
   j. Mortician Services

9. Travel Expenses: for non-state employees and perspective employees.

39 -- Information Processing - Internal
Charges for all services provided by The Office of Telecommunications and Information Systems (OTIS).
Process for Acquiring Professional Services

**User Agency**

- Agency identifies need for service.

- Project involves info. or data processing?
  - Yes → O.I.T.S. reviews and approves.
  - No → O.M.E. reviews and approves.

- Agency develops contract requirements.

- Requires advertised bid?
  - Yes → Purchase Bureau assists Agency with R.F.P.
  - No → Evaluation Committee reviews bids and makes recommendation.

- Agency approves and awards contract.

- Agency administers contract.

- Agency accepts product and authorizes final payment.


**Support Agencies**

- O.I.T.S.
- O.M.E.
DEPARTMENTAL RESPONSE

May 20, 1996

Richard L. Fair  
State Auditor  
Office of the State Auditor  
CN 067  
Trenton, NJ 08625

Dear Mr. Fair:

I have reviewed the audit of the nonstatistical sample of thirty-one professional services contracts which had activity within fiscal years 1994 and 1995. The report’s findings and recommendations are being referred to the Procurement Task Force impaneled to review all aspects of the State’s procurement activities for consideration.

As always, the Department of the Treasury accepts the constructive recommendations identified by the Office of the State Auditor. These findings and recommendations will be discussed with all appropriate departmental personnel who will take appropriate remedial action.

Attached for your information is the response from the Division of Purchase and Property.

Sincerely,

Brian W. Clymer  
State Treasurer

Attachment  
BWC:lat
MEMORANDUM

TO: Brian W. Clymer
State Treasurer

THROUGH: George M. Gross, Jr., Administrator
General Services Administration

FROM: Lana J. Sims, Director
Division of Purchase & Property

SUBJECT: Response to the Office of the State Auditor
Audit Report on Professional Services

DATE: May 20, 1996

We have reviewed the audit report and endorse the recommendation that, to improve the acquisition and management of professional services contracts, a Contract Administration Unit ("CAU") should be established. The six functions identified support that core mission and should begin with the review of Circular Letter 92-12-OMB. Project management training of this staff would be essential and the CAU could be the primary means of training the numerous project managers throughout state government.

We accept the recommendation that the role of the Evaluation Committee should be expanded but take exception to the recommendations that the Committee should be involved over the life of the project. Currently, Evaluation Committees include employees from agencies not directly involved in the projects who have special expertise relevant to the evaluation of bids. For example, the Evaluation Committee for a recent medical services contract included a doctor from the Department of Human Services. To expect or require individuals with competing duties in their own agencies to service a contract through the term, is not practical. A core group within the Evaluation Committee, comprised of the project manager, fiscal representative from the
agency, and a CAU representative, could perform the function identified for the broader Evaluation Committee.

The recommendation that the role of OTIS should be expanded on information and data processing contracts will not be addressed by the Division of Purchase and Property.

LJS/can