

OFFICE OF THE NEW YORK STATE COMPTROLLER



DIVISION OF STATE GOVERNMENT ACCOUNTABILITY

Empire State Development Corporation

Personal and Miscellaneous Services Contracts

Report 2009-S-62



Thomas P. DiNapoli

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State of New York

Office of the State Comptroller

Division of State Government Accountability

July 22, 2010

Dennis M. Mullen
Chairman
Empire State Development Corporation
633 Third Avenue
New York, NY 10017

Dear Mr. Mullen:

The Office of the State Comptroller is committed to helping State agencies, public authorities and local government agencies manage government resources efficiently and effectively and, by so doing, providing accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit of Empire State Development Corporation's *Personal and Miscellaneous Service Contracts*. This audit was performed pursuant to the State Comptroller's authority under Article X, Section 5 of the State Constitution and Section 6278 (3) of McKinney's New York State Unconsolidated Laws.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

Office of the State Comptroller
Division of State Government Accountability



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

Audit Objectives

The first objective of our audit was to determine whether the Empire State Development Corporation (ESDC) justified the need to contract out for personal and miscellaneous services and their continued use. Our second objective was to determine if ESDC has assessed and prioritized this contract work to identify what can be deferred, eliminated, reduced, or done by government employees in an effort to deal with the State's fiscal crisis.

Audit Results - Summary

The Empire State Development Corporation (ESDC), a New York State public benefit corporation, was established in 1995 to act as an umbrella organization for New York State's economic development agencies. For the three fiscal years ended March 31, 2009, ESDC reportedly had 75 contracts in effect for personal and miscellaneous services (Service Contracts), which were fully or partially State-funded. State funding for the 75 Service Contracts totaled \$359 million.

To justify the need for contracting out work, ESDC requires each Service Contract to have documentation showing the reason for the contract, such as the need for special expertise, the complexity of services required or the lack of sufficient in-house resources. Our review of 25 of the 75 Service Contracts found that each had documentation which provided the expected costs, and, to varying degrees, described the scope of services needed. The reasons cited include the requirement of special expertise, a lack of in-house resources, or the magnitude or complexity of the services required. However, we found that ESDC did not have explicit analysis or documentation supporting such statements, for any of the 25 contracts reviewed. ESDC officials stated that it is implicit, in each instance, that there is either a lack of in-house expertise to perform the work or another compelling reason to retain outside assistance. However, ESDC should prepare and maintain documentation showing the alternatives considered, cost-benefits analyzed, and decisions made in connection with the decision to contract out work. In the absence of such documentation, ESDC officials lack adequate assurance that these factors were fully considered.

The State Division of the Budget issued guidelines in 2003 that required State agencies and public authorities, including ESDC, to perform a complete review of its Service Contracts. The goal of this review was to curtail expenditures by eliminating all lower priority, non-essential, overlapping, or otherwise inefficient activities. ESDC officials told us they were not aware of this and, as a result, the review was never done. Similarly, ESDC's Procurement Guidelines permit

ESDC Contract Administration officials to review all Service Contracts with terms longer than three years and request status reports stating the need for the continuance of the Service Contract. However, there was no documentation to indicate that Contract Administration officials have reviewed or requested status reports regarding the continued need for contracts that have terms that exceed three years.

ESDC may be able to reduce costs by re-evaluating the level or extent of contract services that are necessary to achieve its objectives, including whether some of the contracted work can be deferred or the term of the contract can be shortened. If, for example, Service Contract spending were reduced by 10 percent, ESDC could realize approximately \$14.2 million in cost savings. We believe a thorough review and analysis of all Service Contracts is warranted.

Our audit report contains three recommendations for improving ESDC's oversight of its Service Contracts. ESDC officials disagreed with our recommendation for additional documentation of the decision to award Service Contracts, asserting that such additional documentation would not add value. However, they agreed to clarify their procurement policy to improve documentation of the periodic review of contracts, and to enhance justification of the need to continue using all existing service providers.

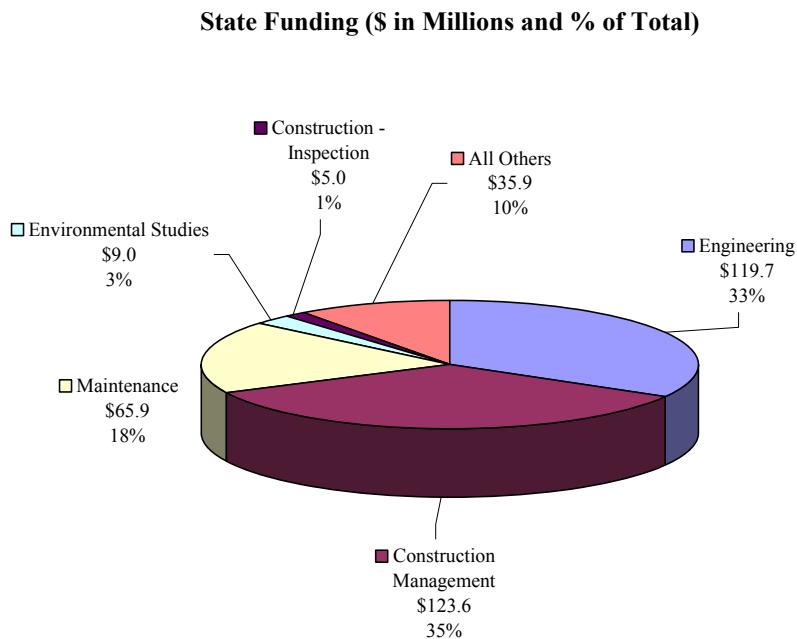
This report, dated July 22, 2010, is available on our website at: <http://www.osc.state.ny.us>. Add or update your mailing list address by contacting us at: (518) 474-3271 or
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

Introduction

Background

The Empire State Development Corporation (ESDC), a New York State public benefit corporation, was established in 1995 to act as an umbrella organization for New York State's economic development agencies. Its mission is to provide the highest level of assistance and service to businesses, thus encouraging economic investment and prosperity in New York State. ESDC works closely with businesses to identify creative solutions to problems, generate opportunities for growth, and help businesses achieve their short- and long-term goals. Its activities are funded through a combination of State appropriations, bond proceeds, and miscellaneous corporate revenues. ESDC is governed by a nine-member Board of Directors, two of whom serve ex-officio and seven of whom are appointed by the Governor. ESDC's operating expenses totalled \$950 million, for the fiscal year ended March 31, 2009.

For the three fiscal years ended March 31, 2009, ESDC reportedly had 75 contracts in effect for personal and miscellaneous services (Service Contracts), which were fully or partially State-funded. The State funded award value for these contracts was \$359 million, and comprised the following:



Before awarding a Service Contract for goods or services valued at \$50,000 or more, ESDC Procurement Guidelines (Guidelines) require a Contract Justification Memorandum to be written to, and approved by, the ESDC Chairman. According to the Guidelines, the Justification Memorandum should include the selection process used to determine the proposed contractor and a justification for the contract, such as:

- the need for special expertise or unusual qualifications;
- the nature, magnitude, or complexity of services required;
- the lack of sufficient in-house resources, support staff, or specialized facilities or equipment within ESDC;
- lower cost;
- the short-term and/or infrequent nature of the need; or
- the distance of the location or locations where the services must be performed from ESDC offices or facilities.

In addition, the Guidelines state that contracts with terms that are more than three years are subject to review by ESDC Contract Administration officials. These officials can request a status report from the originating department after each three-year period, stating the need for the continuance of the Service Contract. In May 2009, ESDC strengthened its Guidelines by providing for the review of all contracts with terms longer than one year.

State Division of Budget Bulletin H-1025 (Budget Bulletin), which was in effect from July 2003 through September 2009, required State agencies and public authorities, including ESDC, to perform a “top to bottom review of all contracts (new and renewals) ... to curtail expenditures by eliminating all lower priority, non-essential, overlapping or otherwise inefficient activities.” The following questions were to be answered during the review:

- Is the contract still relevant to its original purpose?
- Can the level of funding be reduced (in part because the contract contains elements that do not meet the health and safety/revenue generation/maintenance criteria)?
- Should the contract be re-bid to reduce its scope, achieve greater efficiencies or otherwise produce savings?
- Can efficiencies be achieved by replacing the contract with consortia contracts involving other State agencies?

ESDC was required to send an initial report to the Division of Budget by September 19, 2003, detailing the results of its review of Service Contracts and then submit monthly reports.

The Governor also asked agencies to cut 10.35 percent of their overall budgets for fiscal year 2008-09 to help lower the State's deficit.

Audit Scope and Methodology

The first objective of our audit was to determine whether ESDC justified the need to contract out for personal and miscellaneous services and their continued use. Our second objective was to determine whether ESDC has assessed and prioritized this contract work to identify what can be deferred, eliminated, reduced, or done by government employees in an effort to deal with the State's fiscal crisis. For the purposes of our audit, Service Contracts are those in which the majority of the costs associated with the contracts are for services and labor. We did not include contracts for commodities, capital construction, or other types of expenditures that are not service-related. Our audit period was April 1, 2006 through September 30, 2009.

To accomplish our objectives, we judgmentally selected 25 of the 75 Service Contracts in effect during our audit period which, according to ESDC's contract database, were either fully or partially State-funded for at least \$50,000. State funding for the 75 Service Contracts totaled \$359 million. State funding for the 25 sampled Service Contracts totaled \$236 million. To accomplish our objectives, we interviewed ESDC officials, and reviewed contracts, and other supporting documentation provided by ESDC. We also obtained from ESDC officials, the balance, as of September 30, 2009, for the 75 contracts that had a balance of at least \$10,000 as of that date.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties

may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

Authority	The audit was performed pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution and Section 6278 (3) of McKinney's New York State Unconsolidated Laws.
Reporting Requirements	A draft copy of this report was provided to ESDC officials for their review and comment. Their comments were considered in preparing this report, and are included at the end of the report as Agency Comments. Our rejoinders to ESDC's comments are presented thereafter as State Comptroller's Comments.
	Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Chairman of the Empire State Development Corporation shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.
Contributors to the Report	Major contributors to this report include Frank Houston, Cindi Frieder, Christine Chu, Gene Brenenson, Jeremy Mack, Linda Thipvoratrum, Elizabeth Norniella and Sue Gold.

Audit Findings and Recommendations

Contract Justification	<p>To justify the contracting out of work, ESDC Guidelines require each Service Contract to document the reason for the contract, such as the need for special expertise, the complexity of services required, or the lack of sufficient in-house resources. Of the 25 Service Contracts reviewed, we found that all 25 had documentation that provided the expected costs and, to varying degrees, described the scope of services needed. The reasons cited include the requirement of special expertise, a lack of in-house resources, or the magnitude or complexity of the services required.</p> <p>However, our review did not find documentation, for any of the 25, that provided explicit analysis or documentation supporting these statements. For example, in the case of one five-week contract totaling \$60,000, the justification stated that the vendor had expertise in preparing a statewide application for a tax-credit program. However, there was no documentation to show ESDC could not use in-house staff for this. ESDC officials explained that they had, in fact, attempted to file the application previously using their own staff, but the effort failed because the staff lacked the necessary expertise. However, this explanation was not reflected in the contract's justification. In the case of a four-year, \$37-million contract for construction management, the justification cited the vendor's familiarity with the project. However, there was no documentation to show that alternatives were considered, and cost-benefits were analyzed in deciding to contract out for this service.</p> <p>ESDC officials stated that they did not document these determinations because it is implicit in each instance that in-house expertise was lacking or there was another compelling reason to retain outside assistance (e.g., the need for bond counsel, construction managers or architectural firms). We do not disagree that there are times when outside consultants will need to be hired. However, ESDC should prepare and maintain documentation showing that alternatives were considered, cost-benefits were analyzed, and certain decisions were made to contract out work. In fact, at the closing conference, ESDC officials told us that they recently conducted such an analysis for one of their subsidiaries prior to entering into a contract, but had not retained documentation of the analysis. In the absence of such documentation, ESDC officials lack adequate assurance that these factors were fully considered.</p>
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Recommendation 1. Communicate to staff the need to prepare and maintain documentation showing the alternatives considered, the cost-benefits analyzed, and the decisions made in connection with the decision to award Service Contracts.

Periodic Review of Contracts In light of the significant fiscal concerns facing the State, it is important for ESDC to ensure that all contracted work continues to be necessary. Requirements for the periodic review of contracts were reflected in the Budget Bulletin. To comply with the Budget Bulletin, ESDC should have assessed and prioritized its Service Contracts to identify what could be deferred, eliminated, reduced or done by government employees. The results of the reviews of Service Contracts should have been sent to the Division of Budget on a monthly basis. In addition, the ESDC Guidelines that were effective during our scope provided for the review, by ESDC Contract Administration officials, of all contracts with terms longer than three years.

ESDC officials explained that they were not aware of the Budget Bulletin and did not perform a top-to-bottom review of all of its Service Contracts. As a result, ESDC had not submitted the required initial report or subsequent monthly reports to the Division of Budget.

In addition, there was no documentation to indicate that Contract Administration officials have reviewed or requested status reports regarding the continued need for contracts that have terms that exceed three years. Of our 25 sampled Service Contracts, seven have terms of more than three years, including one that passed the three-year mark during our audit period and had not been reviewed by Contract Administration. According to ESDC officials, Contract Administration does not make a practice of performing these reviews.

ESDC officials explain that, during its annual budget process, they implicitly review all departmental budget line items, including Service Contracts, and recommend the amount necessary for the coming year. They stated that they had exceeded the Governor's request to cut their budget 10.35 percent by reducing spending 14 percent overall for fiscal year 2008-09. However, ESDC did not target its Service Contracts as a way of reducing its costs. They said they will continue to monitor all Service Contracts through the annual budget process. In addition, effective May 2009, ESDC strengthened its Guidelines by providing for the review, by ESDC Directors and Contract Administration officials, of all contracts with terms longer than one year.

As of September 30, 2009, approximately \$142 million of the \$359 million awarded for the 75 Service Contracts included in our review had yet to

be spent. We believe a thorough review by ESDC of such contracts is warranted. ESDC may be able to reduce costs by re-evaluating the level or extent of service that is necessary to achieve its objectives, including the possibility that some of the work in the contracts could be deferred and the terms shortened. If, for example, Service Contract spending were reduced by 10 percent, ESDC could realize approximately \$14.2 million in cost savings on these 75 contracts.

ESDC should formally assess these contracts and document its determinations concerning the possibility that lower-priority, less-essential, overlapping, or potentially-inefficient activities could be deferred, eliminated, or combined with other Service Contracts.

- Recommendations**
- 2. Establish a formal process which provides that Service Contracts are reviewed to determine whether any can be deferred, reduced, eliminated or done in a more cost-effective manner. Document this review, and communicate results to ESDC executive management so that action can be taken.
 - 3. Monitor whether the continued need for contracts with terms longer than one year is reviewed by ESDC Directors and Contracts Administration officials.

Agency Comments



Anita W. Larentmont
Senior Vice President - Legal
and General Counsel

July 6, 2010

Via E-mail and Regular Mail

Frank J. Houston
Audit Director
Office of the State Comptroller
Division of State Government Accountability
123 William Street – 21st Floor
New York, NY 10038

Re: Draft Audit Report 2009-S-62

Dear Mr. Houston:

Enclosed is ESDC's response to the above-referenced draft audit report. Please do not hesitate to contact me with any questions you have.

Sincerely yours,

A handwritten signature in black ink that reads "Anita W. Larentmont".

Enclosure

cc: Dennis Mullen
Frances A. Walton
Carlos Otero
Cindy Frieder, OSC

Empire State Development Corporation
633 Third Avenue New York 10017-6754 Tel 212 803 3750 Fax 212 803 3775

EMPIRE STATE DEVELOPMENT CORPORATION
2009-S-62
RESPONSE TO DRAFT AUDIT REPORT

INTRODUCTION

The draft audit indicates that its two objectives were to: 1) determine whether ESDC justified the need to contract out for personal and miscellaneous services and their continued use, and 2) determine if ESDC has assessed and prioritized this contract work to identify what can be deferred, eliminated, reduced, or done by government employees in an effort to deal with the State's fiscal crisis.

The draft report indicates that although ESDC requires that each Service Contract have documentation showing the reason for the contract, ESDC should prepare and maintain documentation showing the alternatives considered, cost-benefits analyzed, and decisions made in connection with the decision to contract out for work. OSC asserts that in the absence of such documentation, ESDC officials lack adequate assurance that the afore-mentioned factors were considered.

As discussed herein, ESDC disagrees that the absence of such documentation in the precise form suggested by OSC indicates that there is not adequate assurance that Service Contracts are justified. As the draft report indicates, ESDC requires the procurement records in connection with each Service Contract to include documentation showing the reason for the contract, such as the need for special expertise, the complexity of services required or the lack of sufficient in-house resources. Management and Contracts Administration assess the stated reasons in determining whether to proceed with each Service Contract. OSC's suggestion that ESDC prepare and maintain documentation showing the alternatives considered, cost-benefits analyzed and decisions made in connection with the decision to contract out work would be extremely time consuming and not additive to the decision making process. It is management's responsibility to assess whether the service could be performed in-house in approving the request. With respect to the issue of documenting the assessment of whether it would be less cost-effective to hire additional staff with adequate expertise, several factors render the utility of such an exercise highly questionable in most instances. During two of the three fiscal years covered, ESDC was subject to a headcount cap, so there was no ability to hire additional staff, and such an exercise would have been irrelevant. Furthermore, in many instances, it is facially obvious given the nature of the work being sought that it is necessary to secure outside assistance, such as in the case where bond counsel is hired, or construction manager, architectural or legal firms are retained on large projects or where there is litigation. In these and similar situations, where the typical scope of an engagement requires the use of a team of specialized, highly skilled individuals at an outside firm, the analysis OSC proposes to ensure that the most cost-effective option was pursued would need to factor in the overhead necessary to support such individuals (who by virtue of their expertise will be highly compensated) in an ongoing way as well as the ancillary costs associated with hiring additional staff, versus the one-off costs associated with contracting. Moreover, given the particularities of any engagement, such

assessments will necessarily include qualitative judgments that are not readily reduced to objective documentation. In short, ESDC believes that such an exercise is unnecessary in most cases.

DISCUSSION

ESDC wishes to correct certain inaccurate statements in the draft report, as detailed below, referencing the relevant sections of the draft.

Executive Summary – Audit Results – Summary

The Summary is in error regarding the discussion of State Division of Budget (DOB) 2003 guidelines requiring State agencies and public authorities to perform a complete review of its service contracts. It indicates that ESDC officials told OSC staff that they were not aware of this requirement, and consequently did not complete the review. On the contrary, ESDC indicated to OSC auditors that it was aware of the guidelines, but that DOB advised ESDC to ignore them and not perform the review.

Another error relates to the statement in the Summary that ESDC's Procurement Guidelines permit ESDC Contract Administration to review all Service Contracts with terms longer than three years. Consistent with the Procurement Guidelines that were forwarded to OSC by staff, Contract Administration reviews all Service Contracts *every* year (not every three years as indicated in the draft report). Any reference to a three year review period should be corrected to one year.

Audit Findings and Recommendations – Contract Justification

The draft report indicates that OSC's review did not find documentation, for any of the 25 Service Contracts reviewed, that provided explicit analysis or documentation supporting the justification for the contracts. That conclusion is in error. The procurement record for each contract includes the justification. The discussion of the \$60,000 five-week contract highlighted in the draft report makes evident that OSC overlooked documentation supporting the contract's justification. In that instance, while the contract's justification memo did not state that the consultant was necessary due to lack of in-house expertise, the board material specifically addressed it as follows: "the tax credits are allocated on a competitive basis by the CDFI Fund of the U.S. Department of Treasury. ESD applied unsuccessfully for such an allocation twice in the past." The board material providing this background was included in the procurement record.

In addition, with respect to the \$37-million contract for construction management (Owners Representative (OR) services and important early foundation and testing work) discussed in the draft audit, which relates to a contract between the NY Convention Center Development Corporation (CCDC) and Tishman Construction Company to provide OR services on the Javits Convention Center Project, the procurement record makes clear that a discussion of alternatives and cost-benefit did occur. The \$37 million contract was for OR services and important early foundation and testing work. In July 2005 the Directors authorized the NY Convention Center Development Corporation (CCDC) to enter into a contract with Tishman

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* See State Comptroller's Comments, page 23.

Construction Company to provide Owners Representative (OR) services on the Javits Convention Center Project. As the OR, Tishman advised on all pre-construction and construction-related activities. Subsequently the Directors amended the scope of the contract to include interim construction management (CM) services while the procurement process for a permanent CM was ongoing. As indicated in the procurement record, a discussion of alternatives and cost-benefit did take place. CCDC management specifically requested to amend the scope of the Tishman contract in order to be able to take advantage of a favorable bidding environment for the trades resulting from the recent slowdown in construction activity in New York. Most of the \$37 million in the contract was paid for trades performed by subcontractors, *all competitively procured*. Tishman as the CM received a fraction of the contract value, mainly for OR staff costs and a fee on the value of the trades. The amount that potentially could have been saved on the CM fee was considered minuscule compared to cost savings that were achieved from being able to quickly and opportunistically take advantage of the reduction in labor and materials costs resulting from the drop in demand for construction projects in New York.

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Comment
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RECOMMENDATIONS

1. *Communicate to staff the need to prepare and maintain documentation showing the alternatives considered, the cost-benefits analyzed, and the decisions made in connection with the decision to award Service Contracts.*

Documentation of the need for each Service Contract is a pre-requisite to obtaining ESDC senior management's approval. In fact there are several documents included in the procurement record, such as the justification memo, board material and scope of services that clearly explain why the services are required. The recommendation for specific documentation of alternatives considered and cost-benefit analysis would not add any value above the documentation already included in the procurement record and ESDC staff job descriptions.

Generally speaking, the only alternative to a Service Contract is to perform the work utilizing in-house staff resources. The utilization of in-house staff is rendered infeasible when the type of specific expertise, man-hour dedication and/ or locale required for the service contract cannot be met with existing full-time staff. In these cases, existing staff cannot deliver the scope of work required or continue to carry out their primary duties as documented in the job descriptions.

2. *Establish a formal process which provides that Service Contracts are reviewed to determine whether any can be deferred, reduced, eliminated or done in a more cost-effective manner. Document this review, and communicate results to ESDC executive management so that action can be taken.*
3. *Monitor whether the continued need for contracts with terms longer than one year is reviewed by ESDC Directors and Contracts Administration officials.*

* See State Comptroller's Comments, page 23.

As previously indicated, Contract Administration and Subsidiary Finance do have a formal process for determining whether any Service Contract can be deferred, reduced or eliminated. With respect to cost effectiveness, the analysis is clear: any reduction of Provider costs that could potentially be achieved by selecting a cheaper Provider would be minuscule in comparison to the amount that would have to be paid to the new Provider to simply duplicate the knowledge already achieved by the existing provider. In cases where the scope of services is discrete such that experience with the project has little or no bearing, a procurement of services is conducted.

Contract Administration and Subsidiary Finance review status reports provided by each department head regarding the continued need for contracts that have terms of more than one year (not three years) through the annual budget/ spending plan review process. The ESDC procurement policy will be clarified to identify the annual budget/ spending plan review process as the means to further document the annual review and status of contracts. In addition, going forward ESDC will enhance its annual review process by requesting that all department heads provide justification for the need to continue using all existing service providers via the attached form (*see attachment*).

CONSULTANT COSTS: ANNUAL CONFIRMATION AND EXPENSE DRILLDOWN

Department:	Is Consultant New/ Existing?	Description of Services	FY 20— Anticipated Spending	Tentative Completion Date
Operating	Existing New etc			
	[Consultant 1]			
	[Consultant 2]			
	[Consultant 3]			
	[Consultant 4]			
		[TOTAL]		[TOTAL]
Capital				
	[Consultant 1]			
	[Consultant 2]			
	[Consultant 3]			
	[Consultant 4]			

I attest that all expenses to be incurred via service provider / consultant contract have been reviewed and confirmed as necessary, nor can the scope of services be provided through the utilization of existing staff resources.

Signature Of Department Head

State Comptroller's Comments

1. Budget Bulletin H-1025 was in effect from July 2003 through September 2009. In October 2009, ESDC's Vice President of Contract Administration & Subsidiary Finance advised us that he had just recently become aware of the Budget Bulletin, and that ESDC had not performed the required reviews.
2. The report acknowledges that effective May 2009, ESDC strengthened its Guidelines by providing for the review of all contracts with terms longer than one year and that the previous requirement was for review of contracts with terms longer than three years.
3. While Board material does reflect that ESDC had previously applied for an allocation unsuccessfully, the material does not indicate a lack of in-house expertise.
4. ESDC's comments focus on discussions and analysis that occurred subsequent to the awarding of the contract. The audit report focuses on actions ESDC took to justify the need to contract out for Service Contracts. We found there was no documentation to show that alternatives were considered and cost-benefits were analyzed in deciding to contract out for this service.