

# **Report To The Mississippi Legislature**



## **A Review of the Department of Economic and Community Development's Personal Services Contracting**

**December 9, 1997**

The Department of Economic and Community Development's personal services contracting policies comply with requirements of state law and contain essential components of a competitive procurement process. In a sample of twenty-six FY 1997 contracts, PEER found that the department documented compliance with its own personal services procurement standards with the exception of one contract. The department did not consistently utilize all relevant components of the best practices model of contracting, which PEER believes provides a more complete accountability standard, when selecting personal services contractors.

During FY 1997, DECD paid its advertising contractor management fees representing approximately 14% of the department's total allocation for advertising services. This percentage is consistent with the accepted level of compensation which, according to Mississippi advertising professionals and professors of mass communications, is approximately 15%. Although the department's advertising expenditures result from needs-based marketing plans, such plans do not contain measurable objectives to determine whether the advertising contractor's performance has a positive effect on DECD's recruitment of businesses, retirees, or tourists. The department does collect data to develop goals and objectives for its divisions and to determine future advertising placements.

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**A Review of the Department of Economic and Community  
Development's Personal Services Contracting**

**December 9, 1997**

**The PEER Committee  
Mississippi Legislature**

The Mississippi Legislature

**Joint Committee on Performance Evaluation and Expenditure Review**

PEER Committee

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December 9, 1997

Honorable Kirk Fordice, Governor  
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Honorable Tim Ford, Speaker of the House  
Members of the Mississippi State Legislature

At its meeting of December 9, 1997, the PEER Committee authorized release of the report entitled **A Review of the Department of Economic and Community Development's Personal Services Contracting.**

A handwritten signature in cursive script that reads "Billy Bowles", written over a horizontal line.

Representative Billy Bowles, Chairman

**This report does not recommend increased  
funding or additional staff.**

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# **A Review of the Department of Economic and Community Development's Personal Services Contracting**

## ***Executive Summary***

**December 9, 1997**

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### **Introduction**

The Department of Economic and Community Development's responsibilities include work force training; industry recruitment and relocation; tourism development; business finance assistance; and, minority business development. In discharging these duties, the department often uses personal services contractors to provide technical assistance, site location and development, strategic planning, and advertisement and marketing services.

Personal services contracting by state agencies and institutions in Mississippi is not a highly regulated activity. Unlike state service positions under the purview of the State Personnel Board, personal services contracts are subject to few pre-audit requirements. Thus state agencies and institutions have a great deal of flexibility in the utilization, selection, and monitoring of contractors.

### **Overview**

The Department of Economic and Community Development's policies relative to personal services contracting comply with requirements of state law and contain essential components of a competitive procurement process. In examining a sample of twenty-six FY 1997 contracts, PEER found that the department documented compliance with its own personal services procurement standards with the exception of one contract. The department did not consistently utilize all relevant components of the best practices model of contracting, which PEER believes provides a more complete accountability standard, when selecting personal services contractors.

During FY 1997, the Department of Economic and Community Development (DECD) paid The Ramey Agency, the department's advertising contractor, \$1,080,996 in management fees, which represents approximately 14% of the department's total allocation for advertising services. This percent-

age is consistent with the accepted level of compensation which, according to Mississippi advertising professionals and professors of mass communications, is approximately 15%. Although the department's advertising expenditures result from needs-based marketing plans, such plans do not contain measurable objectives to determine whether the advertising contractor's performance has a positive effect on DECD's recruitment of businesses, retirees, or tourists. The department does collect data to develop goals and objectives for its divisions and to determine future advertising placements.

DECD acts as a partner to local and regional agencies by providing financial and technical assistance to increase tourism in Mississippi. Contrary to allegations, PEER found no evidence that the department has required local or regional tourism agencies to utilize the department's advertising contractor or that DECD staff have influenced tourism grant applicants to use certain contractors.

### **Recommendations**

1. DECD should revise its personal services contracting policies to be more consistent with the best practices of contract procurement. The department's policies should define conditions which would justify exceptions to the competitive selection process and require that such exceptions be documented.
2. DECD should revise its personal services contracting policies to require department staff to document the monitoring and evaluation of contractors' performance on a regular basis—e.g., monthly, quarterly, or annually.
3. Although the department collects measurable data relative to its advertising contractors, DECD should revise its marketing plans with its contractors to include measurable objectives for the proposed advertising.

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# **A Review of the Department of Economic and Community Development's Personal Services Contracting**

## ***INTRODUCTION***

The Department of Economic and Community Development's responsibilities include work force training; industry recruitment and relocation; tourism development; business finance assistance; and, minority business development. In discharging these duties, the department often uses personal services contractors to provide technical assistance, site location and development, strategic planning, and advertisement and marketing services.

Personal services contracting by state agencies and institutions in Mississippi is not a highly regulated activity. Unlike state service positions under the purview of the State Personnel Board, personal services contracts are subject to few pre-audit requirements. Thus state agencies and institutions have a great deal of flexibility in the utilization, selection, and monitoring of contractors.

## **Authority**

The PEER Committee conducted its review pursuant to MISS. CODE ANN. § 5-3-57 et seq. (1972).

## **Scope and Purpose**

In response to a citizen's request, PEER conducted this review of the Department of Economic and Community Development's (DECD) use of personal services contracts, primarily those relating to advertising and marketing.

In this review, PEER sought to determine whether:

- DECD has fair, objective personal services procurement policies and whether the department complies with such policies and accepted components of competitive bidding;
- DECD's advertising expenditures are competitive within the Mississippi marketplace and whether such expenditures result from a needs-based marketing plan; and,
- DECD staff have mandated the use of the department's advertising contractors by regional or local tourism agencies.

## **Method**

In conducting this review, PEER:

- interviewed DECD personnel regarding selected contracts and tourism division operations;
- reviewed DECD records and those of The Ramey Agency, the department's advertising contractor;
- reviewed applicable Mississippi laws related to contracting and ethics;
- reviewed personal services contracting laws of Mississippi's contiguous states, as well as those of Wisconsin, Minnesota, and Virginia;
- reviewed American Bar Association publications and federal regulations regarding accepted standards for procurement of personal services contracting; and,
- reviewed State Personnel Board records.

PEER reviewed DECD's procurement of eighty-two FY 1997 personal services contracts that each had an annual value of \$5,000 or more. (PEER selected a \$5,000 benchmark for this review because that is the statutory dollar value at which entities must use a competitive process to procure commodities.) PEER also examined a subset of these eighty-two contracts composed of twenty-six contracts with an annual value of \$50,000 or more. (PEER selected this \$50,000 benchmark because that is the dollar value at which DECD requires its staff to use a more stringent procurement method.)

## **Overview**

The Department of Economic and Community Development's policies relative to personal services contracting comply with the requirements in state law and contain essential components of a competitive procurement process. In examining a sample of twenty-six FY 1997 contracts, PEER found that the department documented compliance with its own personal services procurement standards with the exception of one contract. The department did not consistently utilize all relevant components of the best practices model of contracting, which PEER believes provides a more complete accountability standard, when selecting personal services contractors.

During FY 1997, DECD paid The Ramey Agency, the department's advertising contractor, \$1,080,996 in management fees, which represents approximately 14% of the department's total allocation for advertising services. This percentage is consistent with the accepted level of compensation which, according to Mississippi advertising professionals and professors of mass communications, is approximately 15%. Although the department's advertising

expenditures result from needs-based marketing plans, such plans do not contain measurable objectives to determine whether the advertising contractor's performance has a positive effect on DECD's recruitment of businesses, retirees, or tourists. The department does collect data to develop goals and objectives for its divisions and to determine future advertising placements.

DECD acts as a partner to local and regional agencies by providing financial and technical assistance to increase tourism in Mississippi. Contrary to allegations, PEER found no evidence that the department has required local or regional tourism agencies to utilize the department's advertising contractor or that DECD staff have influenced tourism grant applicants to use certain contractors.

## **BACKGROUND**

### **Personal Services Contracting**

In FY 1997, personal services contracting by state agencies and institutions in Mississippi was not a highly regulated activity. Unlike position recruitment, selection, classification, and compensation, which must comply with State Personnel Board pre-audit controls to determine whether persons are hired, compensated, and classified in a manner reflective of their job skills and job worth, few pre-audit requirements exist in the area of personal services contracts. For Fiscal Year 1998, the Legislature created the Personal Service Contract Review Board to review and regulate personal services contracting (see related discussion in Exhibit 1, page 5). However for the purposes of this review, PEER examined the policies and practices applicable during Fiscal Year 1997.

MISS. CODE ANN. § 25-9-107(c)(x) requires that agencies hiring state service personnel obtain approval of the State Personnel Director prior to entering into contracts for personal services. The statutory basis for the State Personnel Director's disapproval of such contracts is limited to those cases in which the tasks to be performed by the contractor could be performed by a state service employee in an authorized position.

Since Mississippi law provides no procedural controls on personal services contracting except for review by the State Personnel Director, PEER reviewed other states' laws, federal laws and regulations, and publications of the American Bar Association to determine the procedural steps that should be components of a personal services contracting process. In addition to state law and professional standards, agencies are bound by responsibility to the public to expend resources efficiently, effectively, and fairly.

Generally, an effective contracting process ensures that an agency procures services that it cannot produce for itself with authorized staff, solicits and selects contractors competitively, and monitors the performance of contractors to ensure that contract deliverables are provided on a timely basis and are of sufficient quality to meet the expectations of the contracting agency.

This effective contracting process, or "best practices model," involves seven steps requiring an entity to (1) conduct a needs assessment; (2) develop a formal request for proposals or qualifications; (3) provide notice to procure services; (4) review proposals systematically; (5) execute a written contract; (6) monitor a contractor's performance; and, (7) evaluate a contractor's performance (see Exhibit 2, page 6). An entity must first develop a needs assessment to define the services needed and to determine whether current staff can accomplish the services without the procurement of a contractor. The entity must next develop a formal request for proposals (RFP) that describes and specifies the services required and the contractor qualifications necessary to provide the services to the entity's satisfaction. Thirdly, the entity should provide written notification to potential contractors of its intentions to procure the services.

## **Exhibit 1**

### **Legislative Changes to Personal Services Contracting**

During the 1997 Legislative Session, the Legislature created the Personal Service Contract Review Board, whose primary responsibilities are to:

- promulgate rules and regulations governing the solicitation and selection of contractual services;
- approve all personal services contracts involving the expenditure of funds in excess of \$100,000;
- develop standards with respect to contractual services;
- prescribe certain circumstances whereby agency heads may enter into contracts without receiving prior approval from the board;
- provide standards for the issuance of requests for proposals, the evaluation of proposals received, consideration of costs and quality of services proposed, contract negotiations, administrative monitoring, and successful steps in terminating a contract;
- present recommendations for governmental privatization and evaluate privatization proposals submitted by other state agencies; and,
- authorize contracts to be effective for more than a one-year period.

Although the legislation's effective date was July 1, 1997, the Contract Review Board moved, under the authority of the Administrative Procedures Act, to continue the current review system until the rules and regulations have been developed and approved.

SOURCE: PEER analysis of Personal Service Contract Review Board minutes, interviews with State Personnel Board staff, and MISS. CODE ANN. Section 25-9-120 (1972).

## **Exhibit 2**

### **Best Practices Contracting Process Criteria Profile**

<b>Criterion</b>	<b>Description</b>
<b>Needs Assessment</b>	A needs assessment provides an overview of what tasks and services are needed and determines whether current staff can perform these tasks and provide these services.
<b>Request for Proposals or Qualifications</b>	A request for proposals describes in sufficient detail the department's service needs, expectations (i.e., performance level), and selection criteria.
<b>Notice of Intent</b>	The notice of intent to secure a service provider is essential to notifying interested parties of the department's request for proposals and opening the process to the marketplace.
<b>Systematic Review of Proposals</b>	The department's selection of a contractor must be made without bias as evidenced by the contractor's willingness to meet the department's expectations, needs, and other criteria specified in the request for proposals.
<b>Written Contract</b>	A written contract specifies the responsibilities of both the department and contractor, including the services contracted, level of performance required, compensation, and the performance period.
<b>Contract Monitoring</b>	Contract monitoring provides opportunity for the department to measure the contractor's performance level and adherence to the contract terms.
<b>Contract Evaluation</b>	A final evaluation of the contractor's performance in meeting the department's expectations and contractual terms. An evaluation is important for both future selection and termination of a contractor.

SOURCE: PEER analysis of MISSISSIPPI CODE ANNOTATED (1972), other states' statutes, and American Bar Association's *Model Procurement Code for State and Local Governments*.

Upon receipt of the responses to the RFP, the entity must systematically evaluate each proposal based on objective criteria included within the RFP. The entity may include interviews and site visits to evaluate a proposal, as appropriate. Once the entity has selected a contractor, the entity must obtain a written contract specifying the terms of service, specifications, and compensation.

The entity should also maintain documents noting periodic monitoring of the contractor's performance and adherence to contract terms. Finally, the entity should complete an evaluation of the contractor's performance for future reference. This evaluation would include periodic monitoring reports and document a contractor's overall performance in meeting contract terms and the agency's expectations.

### **DECD's Use of Contractors for its Advertising Services**

Since FY 1994, DECD has contracted with advertising firms to handle the state's marketing initiatives. (Prior to entering into its contracts, the department used staff internally to promote and market the state's economic development and tourism products.) The department is responsible for three major initiatives. First, the economic development initiative seeks to recruit businesses and industries that can find Mississippi an appealing marketplace. Second, the tourism development initiative seeks to increase visitors to the state by marketing many of the state's features and special events. Finally, in FY 1995, the department developed the Hometown Retirement initiative, which focuses on recruiting retirees to move to Mississippi.

Since FY 1994, the Legislature has appropriated \$35 million for the state's marketing initiatives (see Exhibit 3, page 8). However, this amount does not represent the total amount reserved for the department's marketing budgets. For example, in Fiscal Year 1997, the department set aside \$781,677 from the \$10 million appropriation for the department's tourism matching grants program (see discussion, page 22). Also in FY 1997, the department allocated a portion (\$921,500) of its other funds to the economic development marketing budget, which includes the Hometown Retirement initiative. Therefore, the department reserved a total of \$10.1 million for the state's marketing initiatives in FY 1997. For the FYs 1994 through 1997, the department allocated \$4.49 million above the line-item appropriations for economic development advertising; reserved \$4.24 million for the tourism matching grants program; and, therefore, reserved a total of \$35.25 million for expenditure on its advertising initiatives.

Since FY 1994, the department's contractual terms and scope of services for its advertising contractors have remained constant. In general, the department's advertising contractor agrees to develop and recommend specific advertising and marketing plans. Further, the contractor agrees to design, write, illustrate and otherwise produce advertising for various media in accordance with the marketing plan and as needed by the department and to provide public relations counsel to the department.

### Exhibit 3

#### Legislative Appropriations for Advertising to the Department of Economic and Community Development, FYs 1994 through 1997

FY	Purpose	Amount	Total
1997	Economic Development	\$2,500,000	
	Tourism Development	7,500,000	
	<i>Total</i>		\$10,000,000
1996	Economic Development	2,500,000	
	Tourism Development	7,500,000	
	<i>Total</i>		\$10,000,000
1995	Economic Development	2,500,000	
	Tourism Development	7,500,000	
	<i>Total</i>		\$10,000,000
1994	Tourism Development	5,000,000	
	<i>Total</i>		\$5,000,000
TOTAL			\$35,000,000

SOURCE: PEER analysis of 1993, 1994, 1995, and 1996 appropriations bills.

The Department of Economic and Community Development began contracting with advertising firms in late FY 1993. The department selected two vendors, Mitcham Strategic Partners and The Ramey Agency, through a request for proposals, advertisements, and a systematic review of proposals. In FYs 1994 and 1995, the department negotiated an hourly fee contract with Mitcham Strategic Partners. This contract provided for Mitcham to bill the department for each Mitcham employee's work toward the state's marketing campaign at an agreed hourly rate. In FY 1996 the department signed a flat management fee contract with Mitcham similar to the contract with its other contractor, The Ramey Agency. Since FY 1994, the department had negotiated a flat management fee contract with The Ramey Agency.

According to The Ramey Agency, its management base fees are based on a percentage of the department's marketing budgets. For example, The Ramey Agency negotiated a 19 percent management fee with the department for its economic development marketing contract. This nineteen percent equals approximately \$380,000 based on the budgeted amount of \$2 million. This fee is then subdivided into twelve equal payments made to the contractor monthly. This method of compensation is superior to the hourly rate in that it defines the maximum level of compensation to the contractor.

In total, since FY 1994, the department has expended \$3.46 million on these two contractors. According to the contract terms, this \$3.46 million represents the total compensation made to these contractors. These management fees represent approximately 14.5 percent of the estimated funds available for



marketing purposes between FYs 1994 and 1997. Exhibit 4, below, shows the distribution of management fees to the two contractors by fiscal years. The department's advertising contracts also provide for the reimbursement of authorized expenses to the contractor. For example, the department reimburses the advertising agency for advertising placement, media production, and subcontractor costs.

#### **Exhibit 4**

##### **DECD Management Fees Paid to Advertising Firms**

<b>FY</b>	<b>Contractor</b>	<b>Advertising Initiative</b>	<b>Payments</b>	<b>Totals</b>
1997	The Ramey Agency	Economic Development	\$379,992	
		Tourism Development	612,000	
		Hometown Retirement	89,004	
	<i>Total</i>			\$1,080,996
1996	Mitcham Strategic Partners	Economic Development*	\$250,000	
	The Ramey Agency	Tourism Development	\$612,000	
		Economic Development*	50,000	
		Hometown Retirement	60,000	
	<i>Total</i>			\$972,000
1995	Mitcham Strategic Partners	Economic Development**	\$300,000	
	The Ramey Agency	Tourism Development	\$390,996	
		Hometown Retirement	52,500	
	<i>Total</i>			\$743,496
1994	Mitcham Strategic Partners	Economic Development**	\$300,000	
	The Ramey Agency	Tourism Development	\$360,000	
	<i>Total</i>			\$660,000
<b>Total Management Fees**</b>				<b>\$3,456,492</b>

\*The department terminated the Mitcham Contract effective May 1996. Following a competitive selection process, the department awarded the economic development account to The Ramey Agency for the remainder of the fiscal year.

\*\*The department estimated Mitcham's contract fees to be \$300,000 for FY 1994 and 1995, thereby making the management fee total an estimate.

SOURCE: PEER analysis of DECD's advertising contracts, FYs 1994 through 1997.

## **CONCLUSIONS**

### **Adequacy of DECD's Policies for Personal Services Contracting and the Department's Adherence to These Policies**

**Although the Department of Economic and Community Development's personal services contracting policies comply with the requirements in state law and contain essential components of a competitive procurement process, the department has not consistently utilized all components of a model competitive procurement process.**

PEER reviewed DECD's policies to determine whether the department meets the minimum standards required by state law and whether its policies include components of the best practices contracting process.

#### *Comparison of DECD's Personal Services Contracting Policies to State Law and Best Practices Model*

- *DECD's personal services contracting policies comply with state law requirements and contain essential components of a competitive procurement process.*

The Department of Economic and Community Development's personal services contracting policies comply with state law requirements by requiring department staff to obtain the State Personnel Director's approval for personal services contracts as required by MISS. CODE ANN. § 25-9-107(c) (x) (1972). This section requires agencies to submit personal services contracts to the State Personnel Director for review prior to entering into any contractual agreement. The department specifies in its policies that all contracts requiring the State Personnel Director's approval shall be submitted in accordance with State Personnel Board procedures. By adhering to state personal services contracting requirements, the department is required to submit a needs justification to the State Personnel Director prior to entering into such contracts.

The department's personal services contracting policies also include components of the best practices model for personal services contracting. The best practices contracting process can be enumerated into seven steps requiring an entity to (1) conduct a needs assessment; (2) develop a formal request for proposals or qualifications; (3) provide notice to secure services; (4) review proposals systematically; (5) execute a written contract; (6) monitor a contractor's performance; and (7) evaluate a contractor's performance (see Exhibit 2, page 6).

The department's policies require the development of a needs assessment which addresses the services requested and the current staff's lack of ability to complete the needed services. DECD's policies also address the development of requests for proposals (RFP). An RFP specifies the needed services, describes selection criteria, and projects a time frame for personal services contracts. The

department's policies include steps to advertise in publications or mail information to trade groups announcing the department's intentions to contract for services.

The department's policies for procuring personal services contracts provide for the systematic evaluation of proposals. The policies require department staff to review all RFP responses for completeness and accuracy and rank each response accordingly. The systematic review of proposals helps provide for a fair, objective opportunity to all vendors to obtain the department's contracts. Department policies require the selection of the lowest and best proposal for the requested personal services. In addition, the policies require a written agreement specifying the terms of services, deliverables, and performance criteria.

The department's personal services contracting policies also provide for contract monitoring. A contract monitor is responsible for verifying the contractor's adherence to contract terms and acts as a liaison on behalf of the agency to correct problems that may occur.

The department does not have a documented process for evaluating the contractor's performance. Contract evaluation is a more rigorous element than contract monitoring in that the department judges the total performance of the contractor. Evaluation is essential to avoiding poor performance of contractors in future contracts and continuing to contract with contractors who exceeded the department's expectations.

*Comparison of DECD's FY 1997 Personal Services Contracts Valued in Excess of \$50,000 to the Department's Own Contracting Policies*

- *During FY 1997, the Department of Economic and Community Development documented compliance with its own personal services procurement standards with the exception of one contract.*

While DECD's personal services contracting policies contain essential components of a competitive procurement process (as reported on page 10), DECD requires department staff to utilize one of three specific methods when procuring contracts with values in excess of \$50,000. Of the eighty-two contracts sampled in FY 1997, DECD procured twenty-six personal services contracts with values in excess of \$50,000. PEER examined DECD's procurement of these contracts to determine the department's adherence with and documentation of its procurement methods, as detailed below. (See Appendix A, page 25, for a list of DECD's FY 1997 personal services contracts with values in excess of \$50,000.)

- *Simple quotations.* The first procurement method requires DECD staff to contact potential service providers and obtain cost estimates for the provision of needed personal services. During FY 1997, DECD used this method to procure three personal services contracts with values in excess of \$50,000. These contracts involved engineering services, temporary management,

and clerical services. DECD records contain written documentation of potential service providers contacted by department staff and the cost estimates provided by each.

- *Requests for proposals (RFP) and advertisements.* The second procurement method requires DECD staff to develop a formal request for proposals for a needed service and formally advertise. During FY 1997, DECD used this method to procure eleven personal services contracts with values in excess of \$50,000. DECD records contain written documentation of the department's RFPs and advertisement for ten of the eleven contracts procured through this method. In the one case, department staff stated that advertisements were placed in a local newspaper and that department staff interviewed five finalists relative to the administration of the department's South American office. However, DECD records did not contain evidence of the RFP or newspaper advertisement.
- *Standard units of measure.* The third procurement method requires DECD staff to establish a standard unit of measure for the payment of requested services--e.g., hourly rate, annual salary, comparable fees. For example, in establishing an annual salary unit of measure for a particular contractor, DECD staff may refer to State Personnel Board (SPB) pay ranges as standard units of compensation. These ranges could be used to negotiate the compensation terms for the contract. During FY 1997, DECD used this method to procure six personal services contracts. DECD records contain written documentation illustrating the department's establishment of standard units of measure for these contracts.

In the event of a "major business development," DECD's procurement standards allow department staff to forgo a more formal procurement process, such as those listed above, when selecting a service provider. During FY 1997, DECD procured five of the twenty-six contracts with values in excess of \$50,000 without following a formal process. These contracts involved lobbying, training, direct mail, salary surveying, and marketing services. DECD records contain copies of these five contracts signed by the Executive Director.

The federal government procured one of the twenty-six personal services contracts (Capital Security Services) to provide security services prior to the state receiving the Yellow Creek Facility in Iuka. After obtaining the facility, DECD rebid the contract using a request for proposals method and selected the lowest proposal.

*Comparison of DECD's FY 1997 Personal Services Contracts  
to Essential Components of a Competitive Procurement Process*

- *During FY 1997, the Department of Economic and Community Development did not consistently utilize all components of a model competitive procurement process.*

PEER reviewed a sample of eighty-two of DECD's contracts that were in effect for FY 1997. These contracts were valued at approximately \$5.69 million dollars or 4.49 percent of the department's general and special fund appropriations for FY 1997. The following sections discuss how the contracts measured against each criterion in the best practices model. Exhibit 5, page 14, shows in graphic form how well the department's sample of contracts compared to the best practices model.

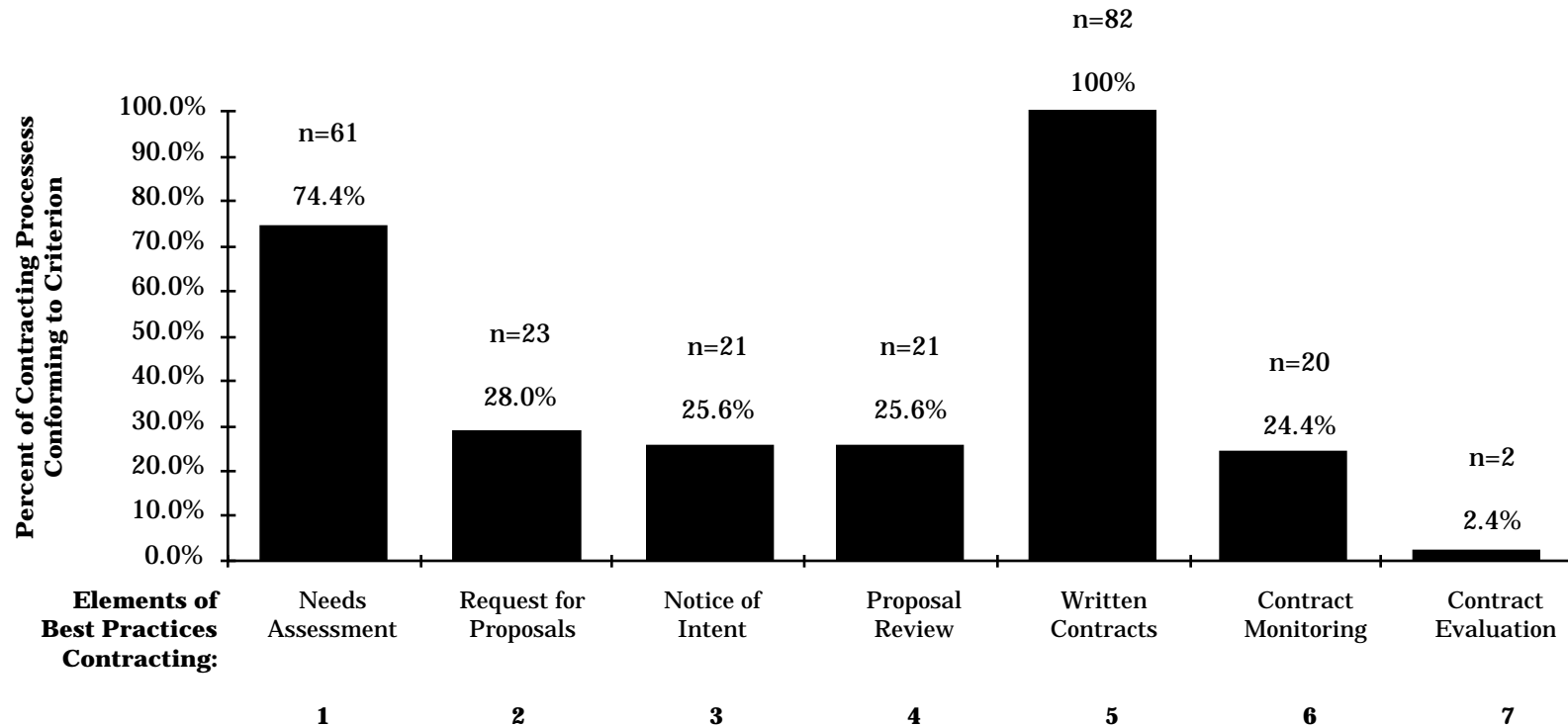
Needs Assessment

PEER found needs assessment documentation for sixty-one of the eighty-two personal services contracts (74.4%). Adequate needs assessment documentation includes a written statement or other evidence that department staff or an external source (i.e., State Personnel Director) determined the need for the services and whether current staff could provide these services. For example, the department did not properly document or did not complete needs assessments in twenty-one contracts totaling \$1.38 million. A specific example of this can be demonstrated with the department's European marketing firm contract.

The department entered into a joint contractual agreement with the Memphis Convention and Visitors' Bureau to advertise and promote the "Memphis & Mississippi: America's Blues Alley" campaign. Although the department invested \$300,000 in this marketing contract during FY 1997, DECD did not develop a needs assessment to document the need for the marketing services nor the inability of current contractors or staff to provide these services. Department staff justified the need for this contract by noting, "No company...has offered to provide the state with comparable cost and service...." In this case for the contract to meet this criteria, department staff should have documented or completed a needs assessment to determine (1) whether the services provided by this contractor would meet department objectives, (2) whether current staff could complete the contracted tasks, and (3) what measurable benefits this contract would provide to the state and its tourism development prior to entering into an agreement.

## Exhibit 5

### Percent of DECD Contracts Awarded Using Procedures Consistent with the Best Practices Contracting Criterion Model, FY 1997



*The Department of Economic and Community Development used competitive bidding elements (Steps 2 through 4 above) in securing approximately one-quarter of the DECD contracts PEER reviewed (n=82).*

SOURCE: PEER analysis of DECD contract files.

### Request for Proposals

PEER found requests for proposals or qualifications documentation for twenty-three of the eighty-two contracts reviewed (28.0%). Supporting documentation regarding the department's efforts includes descriptions of the services to be provided or a formal request for proposals with a clear description of the services sought, elements potential contractors should include in their proposals, and criteria department reviewers would use in evaluating the proposals. The department did not document the development or use of a request for proposals in fifty-nine contracts totaling \$2.57 million in FY 1997. A specific example of this can be shown with the department's Hometown Retirement marketing contract valued at \$89,004 in FY 1997.

DECD selected a marketing firm to manage its Hometown Retirement initiative as a result of a consultant's recommendation. DECD employed a "nationally-recognized retirement marketing expert" to assist in the development of its Hometown Retirement marketing initiative. According to department staff, the consultant noted several similarities among the retirement and tourism initiatives (i.e., marketing data, advertising media), and recommended that the account should be placed with the department's tourism marketing contractor. The department agreed with the consultant and awarded the contract to its tourism marketing firm without issuing a request for proposals. By not issuing a request for proposals, the department could not determine (1) whether other firms could produce better services and (2) whether the forces in the marketplace could provide a financial savings to the state.

### Notice of Intent to Secure Provider

PEER found documentation notifying potential service providers of the department's need to procure services in twenty-one of the eighty-two contracts reviewed (25.6%). In these twenty-one contracts, the department had at a minimum distributed a letter to an interested group of service providers or had published an advertisement. The department did not properly document the use of advertising or other notification in sixty-one contract files reviewed totaling \$2.69 million in FY 1997. For example, the department did not properly document use of the advertising or other notification in the selection of an attorney to provide specialized legal services for the department's Master Lease Program. This program requires specialized legal services relative to tax exempt debt and program development. According to department staff, the requesting division surveyed "a number of legal firms that could provide the specialized type of service." However, the department did not provide any documentation attesting its statement.

### Systematic Review of Proposals

PEER found supporting documentation of a systematic review of proposals by department staff in twenty-one of the eighty-two contracts reviewed (25.6%).

DECD contract records showed in twenty-one FY 1997 contracts that at least one staff member had systematically reviewed the proposals either through a ranking or comparison of a standard unit of measure. The department did not properly document a systematic review of proposals in sixty-one contract cases reviewed totaling \$2.66 million. For example, the department did not document the systematic review of proposals for selection of a financial advising consultant whose contract was valued at \$38,000 in FY 1997. Although the department's RFP for the contract outlines the department's selection criteria, the department did not provide any documentation showing how the RFP responses were evaluated under its criteria.

### Written Contracts

PEER found written contracts in all eighty-two contract files reviewed (100%). A written contract is essential in that it specifies the responsibilities of both parties including the services to be provided, level of performance required, compensation, and the performance period.

### Contract Monitoring

PEER found documentation identifying a contract monitor or monitoring reports in twenty of the eighty-two contracts reviewed (24.4%). The department maintains contract file tracking sheets to track any activity relative to the contract. For example, these tracking sheets provide for the identification of a contract monitor who maintains monitoring reports of and correspondence between the contractor and the department. The department did not properly document the identification of the contract monitor or monitoring reports in sixty-two contract files reviewed totaling \$2.88 million in FY 1997. For example, the department did not properly document monitoring activities for a consulting contract for strategic plan development of the Yellow Creek Facility valued at \$525,000 in FY 1997.

### Contract Evaluation

PEER found documentation supporting contract evaluation in two of the contracts reviewed (2.4%). Because the department's procedures do not require contract evaluations, it is not surprising to note that only two contract files had any evidence of an evaluation. The department did not document evaluations of eighty contract files reviewed totaling \$4.78 million in FY 1997.

Contract evaluation provides the contracting entity with the opportunity to focus on the contractor's performance through the meaningful measurement of contract outcomes. Research by state oversight entities, educational institutions, and private entities shows that governmental bodies have often concentrated on input and outputs to define quality rather than examining the contractor's performance as it pertains to achieving the intended goals of the program or



contract. Without meaningful contract evaluation, the contracting entity cannot determine the benefits, if any, that a contract has added to the entity's objectives and thereby assist it in determining whether such contracts should be sought in the future.

### *Competitive Selection*

The competitive selection process is essential to the fair, objective procurement of personal services contracts. The competitive selection process is the central component of the best practices model. The competitive selection process can be identified as a subset of three elements of the best practices model: request for proposals, notice of intent to secure provider, and systematic review of proposals. These three elements provide all service providers in the marketplace with opportunity to service the department's needs in a fair, objective manner. The competitive process provides vendors with the opportunity to review, in writing, the specific needs of the department and to offer proposals based on the same information provided in the requests for proposals and the notice of intent to secure services. Although other elements of the best practices process are essential for proper contract management, the competitive selection process insures that the contracting entity is seeking the lowest price and best quality services available in the marketplace through a fair and objective process.

Although Exhibit 5 shows that the department may have used the competitive process in twenty-one of the eighty-two contracts reviewed, PEER found that the department had properly documented the elements of the competitive selection process in only eighteen contract files (21.9%). Exhibit 5 shows how each of the eighty-two contracts measured against each individual criterion; therefore, it is possible that the department documented some portions of the competitive process subset and not others. The department may have used the competitive selection process more often; however, it did not properly document its use of the competitive selection process in 78.1 percent of the sample reviewed. That is, the department did not consistently document its use of a formal request for proposals, notification of intent to secure services, or systematic review of proposals.

Competitive selection methods help insure that agencies benefit from the economic forces of the marketplace. The underlying assumption behind such methods of selecting contractors is that the department can obtain a lower price for the service or product it requires if it seeks offers from a broad range of sellers, each with a desire to obtain the agency's business.

### *Additional Examples of Selected Components of Best Practices Model*

The department's personal services contracting process provides for the appointment of a contract monitor; however, in only twenty of the eighty-two contracts reviewed did PEER find the identification of a contract monitor or monitoring documentation. Three of these twenty contracts are for the same

contractor. Specifically, the department holds three advertising contracts with The Ramey Agency (valued at \$1.08 million in FY 1997) and designates contract monitors for each contract. The Ramey Agency serves as the department's personal services contractor for its economic development, tourism development and Hometown Retirement marketing initiatives. Although the department assigned contract monitors, PEER found little review and monitoring documentation other than staff review and approval of invoices from and payment vouchers to the contractor. The department charges the contract monitor with the responsibilities of coordinating information, including billing and payment, between the contractor and the department.

According to DECD and The Ramey Agency, neither the department nor its agents have reviewed the contractor's records for contract compliance. Without active pre-auditing or reviewing the contractor's records, DECD cannot verify that the contractor is billing the state in accordance with the terms of the contracts or that the contractor is performing as required.

PEER reviewed a randomly selected sample of payments made to The Ramey Agency to determine the accuracy of the contractor's billing. This sample includes sixty-seven separate invoices for base management fees, expense reimbursements and media purchases totaling \$403,689, or 5.49% of all FY 1997 payments made to The Ramey Agency. PEER found \$32,089 in questionable reimbursements made to the contractor.

PEER and DECD staff found \$10,681 in questionable expense reimbursements made to The Ramey Agency (see Exhibit 6, page 19). On July 26, 1996, The Ramey Agency, in compliance with the department's marketing plan, made a presentation to DECD staff of the new economic development advertising campaign. Following the presentation, The Ramey Agency held a social event for DECD and Ramey staff. The Ramey Agency later invoiced the department for a "DECD Staff Party" in the amount of \$11,761 relating to this event. PEER questioned the social event payments as inappropriate expenditures of public funds which were not directly related to the purpose of the department's advertising contracts. DECD's Executive Director, after recently becoming aware that The Ramey Agency had billed these expenses to DECD, directed department staff to review all billings of its advertising contractor and recover payments associated with the social event. The department recovered \$10,681 on August 29, 1997, for the social event expenses. (DECD staff determined that \$1,080 of the total billing of \$11,761 represented legitimate advertising expenses of the department.) PEER also questioned the department's monitoring of this particular contract that resulted in the payment of the social event expenses.

Furthermore, PEER questioned payments of \$21,407.90 for miscellaneous expenses incurred by The Ramey Agency for all three advertising contracts in FY 1997 as above actual costs. The department's contracts with The Ramey Agency provide for the reimbursement of actual expenses incurred by the contractor. The amount in question is composed of photocopies billed at \$0.10 per copy and facsimile charges billed at \$5.00 per transmission plus \$1.00 per page. PEER reviewed three photocopy and mail service centers in the Jackson metropolitan

area to determine the market rate for photocopy and facsimile charges. According to the results of these interviews, the average cost for a single, black and white photocopy is \$0.07; the average cost for facsimiles is \$1.00 per page for local calls and approximately \$2.00 per page for long distance calls. The Ramey Agency's Chief Financial Officer noted that the agency had not attempted a cost analysis to determine the actual costs of photocopies and facsimiles. The Chief Financial Officer also noted that these miscellaneous charges were dropped from the FY 1998 contracts with the Department of Economic and Community Development. The department held that these charges were a part of doing business and that the agency should bear these costs.

### **Exhibit 6**

#### **DECD Questionable Expenditures for Advertising Contracts, FY 1997**

Expense Description	Amount
Selected Social and Promotional Expenditures Related to The Ramey Agency's Advertising Presentation: [July 26, 1996]	
Brew Master Steins (150)	
Adams Low Profile Caps (144)	
Country Cotton Golf Shirts (144)	
Invitation Boxes (150)	
Food for 125 Guests	
Kegs of Beer (2)	*\$10,681.37
Miscellaneous Expenses:	
Photocopies (\$0.10 per copy);	
Facsimiles (\$5/transmission and \$1/page transmitted)	<u>\$21,407.90</u>
<b>TOTAL</b>	<b>\$32,089.27</b>

- \* After PEER identified these questionable expenditures, DECD's Executive Director directed department staff to review all billings of the department's advertising contractor and recover payments associated with the social event.

SOURCE: PEER analysis of DECD payment vouchers to and invoices from  
The Ramey Agency for FY 1997.

The importance of proper contract monitoring should not be overlooked within the personal services contracting process. In this example, PEER found \$10,681 in expenses that were approved by department staff initially. However upon PEER's review of these expenditures, the department agreed that these payments were questionable and moved to recover said funds. Had PEER not reviewed the department's personal services contracting, DECD probably would not have taken steps to recover the inappropriately expended funds. Had the department used an appropriate contract monitoring process involving reviews of

expenses and supporting documentation prior to payment, this situation could have been avoided.

Although the department reimbursed \$21,408 for photocopying and facsimile charges in Fiscal Year 1997, the department in its Fiscal Year 1998 contracts with The Ramey Agency eliminated reimbursements for photocopying and facsimile charges. To the department's credit, this renegotiation of the types of contract expenditures that are reimbursable should save the state administrative costs that could be better utilized for the purchase of advertising and marketing.

### **Competitiveness of DECD's Advertising Expenditures and Basis for Advertising Contracts**

**The department's expenditures to The Ramey Agency are competitive within the Mississippi advertising marketplace and are consistent with the department's marketing plan. Although the marketing plan does not identify measurable objectives relative to the impact of the department's marketing campaign, the department collects such measurable data.**

During the 1994 legislative session, the department sought additional funds for advertising and promotion of the state's tourism and economic development products. Following the session, the department hired two advertising firms to promote the state's economic and tourism resources. Although prior to this the department had handled advertising internally, the department's staff determined that it would be a better use of public resources to privatize the marketing function.

### *Competitiveness of Compensation*

For a contract to be competitive in the marketplace, the department must have developed a request for proposals, secured vendors through advertisements or notification of trade groups and known service providers, and systematically reviewed proposals. The department used competitive selection processes to choose advertising agencies to manage the state's marketing initiatives (The Ramey Agency and Mitcham Strategic Partners). The department developed a request for proposals to explain the department's needs and expectations. Through advertisements and direct mailings to Mississippi advertising firms, the department received written responses to its request for proposals. The department's selection committees reviewed each proposal and selected finalists to interview. After interviewing each finalist, the selection committees selected the best contractor for two of the three marketing initiatives (see "Request for Proposals" discussion, page 15).

Advertising agencies are typically compensated through a combination of commissions, fees, and mark-ups for third-party contractors. According to three of Mississippi's largest advertising firms and two mass communications

professors, the standard method for compensation has been a 15 percent commission on all advertising placement. According to these professionals, media (i.e., newspapers, television, and periodicals) will charge a recognized advertising agency 15 percent less of the advertisement's total costs than it would charge the public. The advertising firm then charges its client the full cost (including the 15 percent) of the advertisement costs. However, many advertising professionals noted that these commissions are now negotiable. Depending on the services provided and the client's advertising budget, many professionals noted that it is not uncommon to have agencies provide services for 10 to 20 percent of the client's total advertising budget.

In FY 1997, the department renewed contracts with The Ramey Agency for the state's economic development, tourism development, and hometown retirement initiatives. The department paid the contractor \$1.08 million in management fees for the three accounts. These management fees represent 14 percent of the department's total allocations for advertising.

### *Needs Assessment*

The department's use of The Ramey Agency is needs based if it is supported by a needs assessment and an advertising or marketing plan. A marketing plan defines the projected activities of the advertising agency's work for the fiscal year. A marketing plan should identify potential audiences, goals for the advertising campaign, and measurable objectives to measure the campaign's success.

Once the contracts were executed, the advertising agencies worked with the department to develop a marketing plan for each initiative. These marketing plans include an outline of the advertising theme, schedule of placement dates and media, targeted market lists, proposed advertisement examples, and budgeted costs. Although these plans include measurable activities (i.e., whether an ad was placed in accordance with the plan), the department's advertising and media plans do not include any measurable objectives in the plan to evaluate the contractor's performance. For example, the plan does not include a measurable objectives to determine what impact the contractor's performance had in recruiting new businesses, retirees, or tourists to the state. The department agrees that measurable objectives are essential in determining whether the expenditure of funds for the specified purpose is providing the anticipated return and collects outcome data. The department collects inquiry information relative to its marketing contracts to set goals and objectives for its divisions as well as determining from what media (e.g., magazines, television stations) to purchase advertising space.

## **Use of Advertising Contractors by Regional or Local Tourism Agencies**

**PEER found no evidence that the department or its staff have recommended or mandated the use of any contractors to local or regional tourism agencies.**

In requesting PEER to review DECD's personal services contracting processes, a citizen alleged that DECD staff have used their positions to "encourag[e] area tourism groups to use [T]he Ramey Agency in lieu of their local long term associations."

The Department of Economic and Community Development's Tourism Development Division acts as a partner to local and regional efforts to increase tourism in Mississippi. The Tourism Division is charged with the responsibility of increasing the number of tourist inquiries and visits statewide.

The division offers financial assistance through three activities: cooperative advertising, brokering discounts, and matching grants. The division partners with the Mississippi Travel Promotion Association to provide cooperative media purchases in newspapers, magazines, or other media to promote the state's tourism products. The department also brokers lower fees for groups of Mississippi tourism agencies to market their products at trade shows and other functions. Local and regional tourism entities may elect to participate in any of these activities. The division does not buy or sell these activities to local or regional tourism entities.

The division administers a matching grant program to provide financial assistance to convention and visitor bureaus, chambers of commerce, tourism councils, commissions, and city/county partnerships with the primary objective of promoting tourism. This grant program requires recognized tourism entities that seek financial support for tourism events to submit an application to the Tourism Division. In FY 1997, the Tourism Division made \$1.25 million available for matching grant applications. The Mississippi Tourism Advisory Council Grants Committee serves as the selection committee for the matching grant program. This council is composed of representatives from Mississippi gaming industry, Mississippi Hotel/Motel Association, Mississippi Restaurant Association, Mississippi Travel Promotion Association, and two at-large representatives appointed annually by the chairman with the approval of the Executive Director. The committee selects winning applications based upon the potential impact and merits of the project on the tourism activity in the applicant's area. Examples of approved grants in FY 1997 include financial assistance for:

- purchase of advertising in periodicals and billboards;
- booth rental at trade shows;
- Internet web page development; and,

- tourism data research.

The Tourism Division does not have any administrative oversight over any tourism groups, except as provided in the matching grants program. The division requires that all grant recipients maintain and report expenditures of grant funds. PEER found no regulatory restrictions under Tourism Development Division's programs requiring particular contractors to be used as a condition of any financial or technical assistance.

PEER reviewed records of the department's Tourism Matching Grants program, a financial assistance program for recognized tourism groups, to determine if departmental staff could influence applicants to use certain contractors. According to the committee's by-laws, the committee's function is to approve or deny applications. According to the committee's records, DECD does not have any representation on the selection committee. Furthermore under the grant application guidelines, all applicants must identify any subcontractors (including advertising or marketing firms). In a review of the 1997 grant recipient applications, PEER found no applications that identified The Ramey Agency as the applicant's agency of record.

PEER interviewed local and regional tourism professionals and department staff regarding the allegations. PEER found no evidence to support or substantiate the allegation. PEER interviewed The Ramey Agency staff to determine if the agency currently held any local or regional tourism contracts. According to the agency's Chief Financial Officer, the agency has not held a contract with any local or regional tourism groups since before obtaining the state's tourism development contract on July 1, 1993.

### ***RECOMMENDATIONS***

1. The Department of Economic and Community Development should revise its personal services contracting policies to be more consistent with the best practices of contract procurement. The department's policies should define conditions which would justify exceptions to the competitive selection process and require that such exceptions be documented.
2. The Department of Economic and Community Development should revise its personal services contracting policies to require department staff to document the monitoring and evaluation of contractors' performance on a regular basis--e.g., monthly, quarterly, or annually.
3. Although the department collects measurable data relative to its advertising contractors, DECD should revise its marketing plans with its contractors to include measurable objectives for the proposed advertising.



## Appendix A

### Selected DECD Contracts, Valued Greater than \$50,000, Fiscal Year 1997

#	Contractor	Dates		Service Description	Compensation	Best Practices Criteria							
		From	To			1.	2.	3.	4.	5.	6.	7.	Total
1	Barry D. Rhoads/Boland Madigan, Inc.	1/1/97	6/30/97	Military Base Advocacy	\$90,000.00								2
2	Brian Dougherty	1/1/97	6/30/97	Europe Office	213,500.00								4
3	Building Science Corp.	9/1/96	6/30/97	Training and Technical Assistance	166,400.00								1
4	Capital Security Services, Inc. (*)	7/1/96	10/31/96	Security Services	257,741.05								2
5	Corp. for a Skilled Workforce	7/1/96	6/30/97	Consulting Services	53,227.58								6
6	Day Detectives	11/1/96	6/30/97	Security Services	173,846.00								5
7	First American Printing & Direct Mail	7/1/96	6/30/97	Direct Mail Services (**)	178,380.00								2
8	Fluor Daniel, Inc.	9/30/96	6/30/97	Strategic Plan Development	525,000.00								5
9	Fluor Daniel, Inc.	7/8/96	6/30/97	Yellow Creek Development Plan	82,000.00								3
10	Foster, Jones & Associates, Inc.	10/15/96	6/30/97	Consulting Services	50,000.00								2
11	Garland L. Cooper	9/3/96	6/30/97	Engineering Services	59,360.00								5
12	James L. White	7/1/96	6/30/97	Engineering Services-Energy Conserv.	65,007.46								2
13	Jerry Wilemon	7/1/96	6/30/97	Manager	58,761.00								3
14	Local Initiatives Support Corp.	7/1/96	6/30/97	Project Design Consulting	150,000.00								5
15	Lofthouse Enterprises	7/1/96	6/30/97	European Marketing Plan	300,000.00								3
16	Manpower	7/1/96	6/30/97	Temporary Personnel Services	186,305.00								2
17	Manpower	7/1/96	8/20/96	Temporary Personnel Services	58,003.20								3
18	MS Energy Consultants, LLC	10/15/96	6/30/97	Consulting Services	483,858.00								6
19	North MS Industrial Development Assn.	4/1/97	6/30/97	Salary Survey	55,600.00								2
20	Orlando D. Romero	7/1/96	6/30/97	South America Office	68,100.00								3
21	Pro-Mark, Inc.	7/1/96	6/30/97	MS Delta Empowerment Zone	96,000.00								3
22	Systems Consultants Assoc., Inc.	7/1/96	6/30/97	Financial Consulting Services	73,560.00								6
23	The Ramey Agency	7/1/96	6/30/97	Economic Development Marketing	379,992.00								6
24	The Ramey Agency	7/1/96	6/30/97	Hometown Retirement Marketing	89,004.00								2
25	The Ramey Agency	7/1/96	6/30/97	Tourism Development Marketing	612,000.00								7
26	Waggoner Engineering, Inc.	12/3/97	6/30/97	Engineering Consultants	60,000.00								5
<b>TOTALS</b>					<b>\$4,585,645.29</b>	<b>18</b>	<b>12</b>	<b>11</b>	<b>12</b>	<b>26</b>	<b>14</b>	<b>2</b>	

\*Capital Security Services provided security to the Yellow Creek Facility in Iuka, MS. This contractor was selected by the federal government prior to the state's receivership of the complex. DECD rebid the security contract and selected Day Detectives, Inc.

\*\*First American Printing and Direct Mail's compensation is fee based (e.g., per item processed fee). The contractor is guaranteed a minimum compensation of \$178,380 for Fiscal Year 1997.

#### Key to Best Practices Criteria

- |  |                        |
|--|------------------------|
| 1. Needs Assessment                    | 5. Written Contract    |
| 2. Request for Proposals               | 6. Contract Monitoring |
| 3. Notice of Intent to Secure Services | 7. Contract Evaluation |
| 4. Systematic Review of Proposals      |                        |

SOURCE: PEER analysis of DECD Fiscal Year 1997 contracts.

***Agency Response***

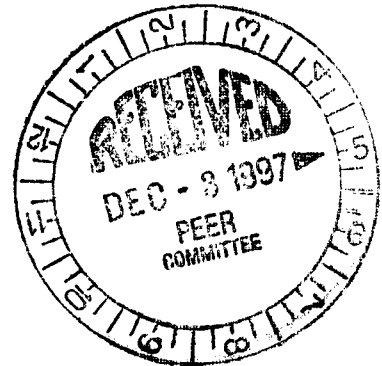


**STATE OF MISSISSIPPI  
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT**

**JAMES B. HEIDEL**  
EXECUTIVE DIRECTOR

December 3, 1997

Max K. Arinder, Ph.D.  
Executive Director  
PEER Committee  
222 North President Street  
Jackson, Mississippi 39201



Dear Dr. Arinder:

Thank you for providing an opportunity to respond to this review of the Department of Economic and Community Development's (DECD) personal services contracting.

The purposes of the review as stated in the report were to determine whether:

- DECD has fair objective personal services procurement policies and whether the department complies with such policies and accepted components of competitive bidding.
- DECD's advertising expenditures are competitive within the Mississippi market place and whether such expenditures result from a needs-based market plan.
- DECD staff have mandated the use of the department's advertising contractor by regional and local tourism agencies.

The report concludes on pages two and three that:

- DECD's policies relative to personal services contracting exceed state law and contain essential components of a competitive procurement process. In examining a sample of twenty-six Fiscal Year 1997 contracts and reviewing each contract for compliance with the full range of departmental contracting policies, PEER staff found only one contract in which files were not documented completely.

- The report concluded that expenses paid to the department's contract ad agency were actually lower than the accepted level of compensation within Mississippi. It further concludes that the department's expenditures result from needs-based marketing plans.
- No evidence exists to substantiate that the department has required local or regional tourism agencies to utilize the Department's advertising contractor or that DECD staff have influenced tourism grant applicants to use certain contractors.

The report makes three recommendations, each of which is followed by our response.

- DECD should revise its personal services contracting policies to be more consistent with the "best practices model" of contract procurement . . .

**Response:** The report concludes that DECD's personal services contracting policies include essential components of the model and exceed state legal requirements. It should be noted that the model standards promoted in this report are not something that we as an agency were aware of, nor do they relate to contracting requirements in state law or policy. We will, as suggested, re-examine our policies as they relate to the model. However, I want to note for the committee, my opinion, that the model standards while philosophically sound should not necessarily be adopted in their literal form, if the state's best interests are to be served in all contractual situations. I would also urge that state law/procedures be clarified so that state agencies will have a clear understanding of criteria that will be utilized in assessing their contracting processes.

- DECD should revise its personal services contracting policies to document the monitoring and evaluation of contractor's performance on a regular basis . . .

**Response:** While DECD does actively monitor and evaluate contractor performance at this time, documentation of those processes will be strengthened.

- Although DECD collects measurable data relative to its advertising contractors, DECD should revise its marketing plans with its contractors to include measurable objectives for the proposed advertising.

Max K. Arinder, Ph.D.

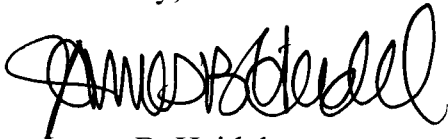
Page 3

December 3, 1997

**Response:** DECD documents actual results in terms of tourism/retirement inquiries and business contacts generated from each advertisement. Further, we review the cost per inquiry/contact for each advertisement. These results are measured on a regular basis. This and other pertinent information form the basis for continuing/discontinuing individual advertisements. We will carefully review any additional specific enhancements to this process that are suggested by PEER.

Please do not hesitate to contact me should you have questions regarding this response or other economic and community development related matters.

Sincerely,

A handwritten signature in black ink, appearing to read "James B. Heidel". The signature is stylized with a large, looping "J" and "H".

James B. Heidel  
Executive Director

JBH:ML:ao

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