



Contracting for Services by State Agencies

ISSUE

Each month the Department of Administrative Services (DAS) reports to the Legislative Services Agency on the new service contracts approved through the Services Pre-Contract Questionnaire (PCQ) process. The PCQ process insures that an employer/employee relationship is not created through contracting. This *Issue Review* describes the contracting process and examines the reports for FY 2010 through FY 2013 and provides a summary of new service contracting by state agencies.

CODE AUTHORITY

Iowa Code section [8.47](#) and Iowa Administrative Code chapters 118 and 119

BACKGROUND

State agencies often contract with individuals and organizations for services to facilitate the operation of the agency. In some instances, the service contract is for expertise the state agency does not have, such as, appraisal services, analysis and assessment of business processes, auditing, peer reviews, attorneys, information technology consulting, investment advisors, research projects, and a variety of other services. Other times the contracted service is for day-to-day functions, such as boiler testing, aerial mapping, building alarm system service and repair, communication systems installation, janitorial service, pest and weed control, and other such services.

The DAS oversees services contracting, and it is the DAS policy that contractors are to be selected through an open competitive process. The PCQ approval process is applied to service contracts with individuals and small businesses to insure an employee/employer relationship is not created. For example, a retiree could not come back to the agency where he or she had worked, contract to do the same work performed prior to retirement, and essentially perform as an employee. If a contract were to establish an employee/employer relationship then the federal tax withholding requirements would come into play. If a State agency's service contract inappropriately created an employee/employer relationship, the State, when federally audited, could be subject to backup withholdings and related fines.

Not all contracts are required to go through the PCQ process. The PCQ process exempts:

- Contracts for less than \$1,000.
- Contracts between State departments and other State agencies, political subdivisions, or federal government agencies.
- Contracts with a corporation.
- Contracts with individuals and businesses that already have been through the PCQ process and have been approved to provide services.

In practice, corporations are reviewed to verify the organizations do qualify for the corporation exemption. Other businesses, such as partnerships and limited liability companies (LLCs) need to be reviewed to distinguish which are exempt as corporations and which are not. (See **Attachment A** for the twenty common law factors used in determining the existence of an employer/employee relationship.)

There are provisions for “sole source” contracts where vendors are selected without competitive bidding. When the department determines there is only one qualified or obviously most qualified service provider, when only a single source is available within the geographic location, or when the provider owns the needed intellectual property rights for the service, the department may select a sole source provider. Sole source providers may also be used for peer reviews and for legal services (experts, advisors, counsel, or consultants). Sole source providers may be used when the federal government or other funding agency restricts the state agency to one provider and when permitted by statute. Otherwise, service providers are to be selected from among competitive bidders.

Pre-Contract Questionnaire (PCQ) Process. The DAS monitors state agency contracting with individuals and small businesses through the PCQ process. When an agency proposes to contract for services, the Vendor-Customer Table in the Iowa Statewide Accounting System (I/3 System) is checked for a State Accounting Enterprise (SAE) control number. If the vendor has the SAE control number, it has been determined that no employer/employee relationship exists between the State and the contractor, and the individual or business is available for contracting. If the individual or company does not have an SAE control number, then prior to signing the contract, the agency must submit a PCQ (**Attachment B**) to DAS for approval.

The critical factor in contracting for services is whether an employer/employee relationship is being established. Although there are some differences in state laws, different states¹ apply similar criteria to determine whether the service provider is an independent contractor or an employee. These criteria focus on:

- Control over the workday. It may be an employer/employee relationship if the department sets work hours, directs the sequencing or order of work, sets hours, and requires reports. An independent contractor would set his or her own hours and decide the work process.
- Provision of resources. An indicator of an employer/employee relationship would be the department hiring, supervising and paying helpers, paying travel expenses, requiring work be done on the department’s premises, and furnishing tools and materials. An independent contractor manages and pays helpers, provides their own tools and materials, and decides whether to perform the work on the department’s premises.
- Independence from the State agency. An independent contractor has the risk of a profit or loss from the relationship, makes these services available to the public, and may work for more than one firm simultaneously. An employee is paid by the hour, week, month, or by piece rate without risk of loss and works only for the department.

CURRENT SITUATION

For this analysis, the PCQ contracts were classified according to the service being provided. Eleven categories were developed and each service was assigned to one of the following categories.

¹ The National Conference of State Legislatures (NCSL) provided examples of the employer/employee determination processes for Alaska, Hawaii, Massachusetts, and Ohio which are referenced here. A comprehensive study of all states was not available from the NCSL or from the National Association of State Procurement Officers (NASPO).

- **Building Construction** contracts are for services relating to building construction, repair, renovation, and/or demolition, including landscaping, excavation, and bulldozing; tree removal and planting; well digging and filling; and other such activities.
- **Business Financial** contracts are for normal business operations and administration, such as auditing, market or other business analysis, human resources, inventory, and product or supply delivery.
- **Computer** contracts relate to computer use and development, such as, programming, data base development or management, software development, and data entry.
- **Custodial** contracts are for services such as janitorial cleaning services, lawn care, mowing, and weed control, including seeding of broad areas, snow removal, garbage pickup and removal, painting, pest control, window cleaning, and related activities.
- **Equipment Maintenance** contracts are for equipment maintenance, maintenance agreements, upgrading, repair, installation, calibration, and equipment rental.
- **Expert Consultant** contracts are for services requiring expert knowledge or special skills not available through the agency's regular staffing, such as, engineering and architectural services, wildlife surveys, research projects and analyses, artistic and graphic design, consulting for project planning, facilitation, and development, and technical assistance.
- **Legal** contracts are for services involving legal representation, mediation, arbitration, consultation, and expert witnesses.
- **Medical** contracts are for services involving medical and dental treatment, medical protocols, pharmaceuticals, eye examinations, physical and occupational therapy, psychiatric services, immunizations, and other such services.
- **Social Service** contracts are for services involving improvement of the human condition by social workers, psychologists, and volunteer social support agencies. These services address areas such as, domestic and child abuse, food and shelter, suicide prevention, group homes, workforce and life skill development, mental health counseling, drug abuse, and afterschool programs.
- **Training** contracts involve skill development, information distribution and education, seminars, speakers, and workshops, webinars, education and training materials development, workshops, and conferences.
- **Rent** is a contract to rent or lease land, a building, or space within a building.

Table 1 shows the types of services state agencies had approved through the PCQ process between FY 2010 and FY 2013.

Table 1

Type of Service	FY 2010		FY 2011		FY 2012		FY 2013		Total No.	Total Amount for Contracts
	No.	Amount for Contracts	No.	Amount for Contracts	No.	Amount for Contracts	No.	Amount for Contracts		
Building Construction	31	\$ 2,400,491	48	\$ 7,215,756	41	\$ 1,116,414	27	\$ 1,422,439	147	\$ 12,155,100
Business Financial	15	405,120	24	3,195,729	34	909,354,098	21	2,146,330	94	915,101,277
Computer	6	143,734	13	1,109,839	17	6,554,586	18	135,386,011	54	143,194,170
Custodial	20	127,660	23	262,805	42	224,920	23	255,496	108	870,881
Equipment Maintenance	11	135,595	11	91,438	21	235,543	3	68,903	46	531,479
Expert Consultant	109	12,639,141	138	53,551,002	118	21,456,942	82	7,211,433	447	94,858,518
Legal	11	252,978	8	757,396	1	1,922	4	10,804	24	1,023,099
Medical	14	9,277,277	18	4,431,285	12	1,035,407	6	322,085	50	15,066,054
Rent	1	4,900			1	13,571	3	9,527	5	27,998
Social Service	65	41,639,066	35	3,935,417	61	1,002,833	14	738,969	175	47,316,285
Training	287	2,059,241	129	7,853,661	94	543,252	82	711,655	592	11,167,809
Grand Total	570	\$ 69,085,202	447	\$ 82,404,328	442	\$ 941,539,488	283	\$ 148,283,651	1,742	\$ 1,241,312,669

The Iowa Public Employees' Retirement System (IPERS) signed a six-year contract with New York Life Insurance in FY 2012 for fixed income investment management services totaling \$900.0 million. The size of this contract dwarfs the rest. The Department of Human Services

(DHS) contracted for computer services with Accenture LLC in FY 2013 for \$133.0 million for a seven-year four-month data transfer project. Disregarding the aforementioned IPERS and DHS contracts, expert consultants receive the largest share of the service contract expenditures. In terms of the number of contracts, about one third of the contracts were for some form of training.

Table 2 (on the following page) shows the number and contract amounts for state agencies. The Departments of Education (DE) and Natural Resources (DNR) have the most contracts and account for 43.6% of the contracts in the years examined. When combined, the DHS and the Department of Public Health (DPH) account for another 30.4% of the contracts. Together these four departments awarded almost three-fourths of the service contracts processed through the PCQ system. Those with the fewest new service contracts tend to be the smaller agencies. The Department of Corrections is a large agency that sends few contracts through the PCQ system.

In terms of the amount spent on contracts, IPERS and the DHS are the largest users because of the contracts mentioned above. Even without the two large contracts by IPERS and the DHS, the DHS spent by far the most on contracts. The DPH came in a distant third, spending \$11.6 million on PCQ contracts, with the DNR and the DAS each spending a little more than half that amount.

Table 2

Number of Service Contracts and Total Contract Amounts by Department										
Department Name	FY 2010		FY 2011		FY 2012		FY 2013		Total No.	Total Amount for Contracts
	No.	Amount for Contracts	No.	Amount for Contracts	No.	Amount for Contracts	No.	Amount for Contracts		
Administrative Services	32	\$ 1,438,097	10	\$ 781,940	4	\$ 2,663,181	20	\$ 1,485,729	66	\$ 6,368,947
Agriculture and Land Stewardship	7	1,672,961	9	147,470	1	2,500	2	8,548	19	1,831,479
Auditor Of State							1	3,200	1	3,200
Banking Division					1	2,500			1	2,500
Blind			2	23,960	1	10,850			3	34,810
College Aid Commission			1	100,000					1	100,000
Consumer Advocate	1	30,000							1	30,000
Corrections					1	45,000			1	45,000
Cultural Affairs			3	38,700			1	4,800	4	43,500
Economic Development	7	89,789	16	768,005	22	260,113	11	454,019	56	1,571,925
Education	193	1,131,183	100	798,849	86	1,048,788	72	1,029,272	451	4,008,092
Human Rights	1	2,138					8	30,407	9	32,544
Human Services	98	61,147,792	62	57,410,699	88	20,994,966	31	139,594,440	279	279,147,897
Inspections & Appeals	3	21,000	2	7,700	1	4,999	1	3,000	7	36,699
Insurance Division	1	50,000	3	128,858	2	10,800	5	241,250	11	430,908
Iowa Communications Network	5	194,899	1	1,239,639	7	825,869			13	2,260,407
Iowa Public Employees' Retirement										
System Administration			5	7,627,380	14	908,591,746	2	679,800	21	916,898,926
Iowa Public Television	16	78,416	16	111,548	25	137,354	11	28,060	68	355,378
Iowa Workforce Development	16	767,823	12	2,432,064	5	639,848	2	580,500	35	4,420,235
Judicial Branch	5	45,180	3	23,425	5	16,749	9	48,124	22	133,478
Lottery Authority			2	13,500	6	53,700	10	118,293	18	185,493
Management	2	332,600	4	17,574	2	4,483	1	4,875	9	359,532
Natural Resources	36	936,854	117	1,766,338	110	4,385,668	46	712,631	309	7,801,491
Office of Drug Control Policy	2	43,055	1	1,500	4	41,500	3	9,000	10	95,055
Public Defense	1	150,000	2	346,955	1	8,480	2	228,500	6	733,935
Public Health	135	877,636	52	7,208,921	36	646,837	28	2,875,040	251	11,608,434
Public Safety	2	32,500	5	68,921	6	42,802	5	23,795	18	168,018
Utilities Division					1	953,568	1	18,000	2	971,568
Veterans Affairs Capital	1	3,350							1	3,350
Veterans Affairs	4	25,216	9	754,058	9	137,307	5	53,911	27	970,492
Vocational Rehabilitation	2	14,715	10	586,325	4	9,879	6	48,458	22	659,377
Grand Total	570	\$69,085,202	447	\$82,404,328	442	\$941,539,488	283	\$148,283,651	1,742	\$1,241,312,669

Table 3 provides the number of contracts per department by service type, and **Table 4** provides a breakdown of the contracted amounts per department by service type. Some of the contracts and payments extend over several years. Training and expert consultants dominate the types of contracts across all departments with building construction and custodial services coming in a distant third and fourth. The DE contracts predominately for training (70.0% of the contracts)

with most of the rest being for expert consultants. The DNR spreads its contracts relatively evenly among building construction, expert consultants, and custodial services. The DPH invests most for service contracts related to training and less in expert consultants. Social service contracts dominate the contracts for the DHS with expert consultants coming in second.

The large contract amounts of the IPERS's \$900.0 million six-year contract with New York Life Insurance for fixed income investment management services and the DHS \$133.0 million computer services contract with Accenture LLC skew the spending patterns. Without those two contracts, spending on expert consultants is the highest with \$94.9 million spent by all departments. The DHS still spends the most on contracts processed through the PCQ system with \$78.8 million for expert consultants and \$45.3 million for social services plus other smaller amounts. It is interesting to note that training contracts are relatively inexpensive. While 34.0% of the contracts were for training, spending on training accounted for only 0.9% of the total spending and only 5.4% of total spending with the two extremely large contracts removed. Otherwise, those with the most contracts spend the most in patterns consistent with where the contracts fall.

Table 3

Department Name	Type of Service											Grand Total
	Building Construct	Business Financial	Computer	Custodial	Equip Maint	Expert Consult	Legal	Medical	Rent	Social Service	Training	
Administrative Services	13	13	3	1	3	18	1				14	66
Agriculture and Land Stewardship	12			1		5					1	19
Auditor Of State											1	1
Banking Division											1	1
Blind						3						3
College Aid Commission						1						1
Consumer Advocate						1						1
Corrections								1				1
Cultural Affairs						2				1	1	4
Economic Development		7				27				1	21	56
Education		4	11		1	107			2	11	315	451
Human Rights						3	2			3	1	9
Human Services	4	8	6	6	13	61	16	22		120	23	279
Inspections & Appeals						5					2	7
Insurance Division		2	2			4					3	11
Iowa Communications Network	6		1			6						13
Iowa Public Employees' Retirement System Administration	5	15	1									21
Iowa Public Television	5	13	2	1	8	32				1	6	68
Iowa Workforce Development		9	5			6	1				14	35
Judicial Branch	1				1	6	4				10	22
Lottery Authority Management	2	2	2	8		3					1	18
Natural Resources			2			3				1	3	9
Office of Drug Control Policy	85	11	6	77	9	78		1	2		40	309
Office of Drug Control Policy		1								1	8	10
Public Defense	1			1		3					1	6
Public Health	1	3	10			68		21	1	33	114	251
Public Safety		2	1	2	7	1					5	18
Utilities Division		1	1									2
Veterans Affairs Capital	1											1
Veterans Affairs	11	1		4	4	2		5				27
Vocational Rehabilitation		2	1	7		2				3	7	22
Grand Total	147	94	54	108	46	447	24	50	5	175	592	1,742

Table 4

Total Amount Contracted by Type of Services: Total for FY 2010 through FY 2013						
Department Name	Type of Service					
	Building Construction	Business Financial	Computer	Custodial	Equipment Maintenance	Expert Consultant
Administrative Services	\$ 1,448,704	\$ 510,705	\$ 128,500	\$ 3,695	\$ 7,830	\$ 3,910,064
Agriculture and Land Stewardship	1,709,397			2,500		115,692
Auditor Of State						
Banking Division						
Blind						34,810
College Aid Commission						100,000
Consumer Advocate						30,000
Corrections						
Cultural Affairs						34,000
Economic Development		237,500				1,199,655
Education		96,822	320,330		98,200	2,167,569
Human Rights						12,113
Human Services	56,744	1,135,700	138,497,632	46,352	227,385	78,773,024
Inspections & Appeals						28,700
Insurance Division		75,108	53,000			197,000
Iowa Communications Network	1,728,407		150,000			382,000
Iowa Public Employees' Retirement System Administration	5,798,426	910,950,500	150,000			
Iowa Public Television	11,420	26,650	19,734	4,500	45,112	231,522
Iowa Workforce Development		574,285	1,438,173			524,719
Judicial Branch	6,000				7,500	65,893
Lottery Authority	5,238	11,000	20,800	123,055		24,400
Management			6,574			308,358
Natural Resources	1,030,609	301,397	149,895	628,488	32,286	5,435,821
Office of Drug Control Policy		12,600				
Public Defense	225,000			3,500		496,955
Public Health	23,400	128,835	2,225,956			744,549
Public Safety		53,771	8,388	5,860	73,068	5,530
Utilities Division		953,568	18,000			
Veterans Affairs Capital	3,350					
Veterans Affairs	108,407	5,616		27,247	40,098	23,925
Vocational Rehabilitation		27,220	7,188	25,684		12,220
Grand Total	\$ 12,155,100	\$ 915,101,277	\$ 143,194,170	\$ 870,881	\$ 531,479	\$ 94,858,518
Department Name	Legal	Medical	Rent	Social Service	Training	Grand Total
Administrative Services	\$ 65,000				\$ 294,450	\$ 6,368,947
Agriculture and Land Stewardship					3,890	1,831,479
Auditor Of State					3,200	3,200
Banking Division					2,500	2,500
Blind						34,810
College Aid Commission						100,000
Consumer Advocate						30,000
Corrections		45,000				45,000
Cultural Affairs				4,700	4,800	43,500
Economic Development				4,410	130,360	1,571,925
Education			6,027	54,254	1,264,890	4,008,092
Human Rights	3,869			14,063	2,500	32,544
Human Services	900,973	13,372,866		45,262,003	875,218	279,147,897
Inspections & Appeals					7,999	36,699
Insurance Division					105,800	430,908
Iowa Communications Network						2,260,407
Iowa Public Employees' Retirement System Administration						916,898,926
Iowa Public Television				1,000	15,440	355,378
Iowa Workforce Development	20,000				1,863,058	4,420,235
Judicial Branch	33,257				20,828	133,478
Lottery Authority					1,000	185,493
Management				4,800	39,800	359,532
Natural Resources		1,908	17,071		204,016	7,801,491
Office of Drug Control Policy				30,455	52,000	95,055
Public Defense					8,480	733,935
Public Health		881,080	4,900	1,620,125	5,979,589	11,608,434
Public Safety					21,400	168,018
Utilities Division						971,568
Veterans Affairs Capital						3,350
Veterans Affairs		765,200				970,492
Vocational Rehabilitation				320,475	266,590	659,377
Grand Total	\$ 1,023,099	\$ 15,066,054	\$ 27,998	\$ 47,316,285	\$ 11,167,809	\$ 1,241,312,669

The DAS requires state agencies to report the funding source on the Service PCQ. The funding sources are defined as:

- State – The contracts are paid from the department’s appropriation. This can be State General Fund or from another appropriated fund.
- Federal – The contract receives federal funding.
- Other – Contracts are paid from funds not associated with federal funding or state appropriation. For example, conference registration fees or some other type of self-generated revenues could be used to pay for a speaker at a conference. Nonappropriated funds such as the IPERS Fund appear here.
- Combined – Contracts are paid from a combination of state, federal, and/or other funding.
- Not Reported – This indicates the item on the questionnaire was not answered.

Table 5

Department Name	Total					Total
	State	Federal	Other	Not Reported	Combined	
Administrative Services	\$ 2,702,156	\$ 0	\$ 234,450	\$ 306,000	\$ 3,126,341	\$ 6,368,947
Agriculture and Land Stewardship	0	1,290,820	7,500	529,959	3,200	1,831,479
Auditor Of State	3,200	0	0	0	0	3,200
Banking Division	2,500	0	0	0	0	2,500
Blind	8,960	0	0	0	25,850	34,810
College Aid Commission	0	100,000	0	0	0	100,000
Consumer Advocate	30,000	0	0	0	0	30,000
Corrections	0	0	0	45,000	0	45,000
Cultural Affairs	4,800	34,000	4,700	0	0	43,500
Economic Development	1,133,749	356,154	0	82,022	0	1,571,925
Education	743,708	3,147,934	59,710	56,740	0	4,008,092
Human Rights	27,569	4,975	0	0	0	32,544
Human Services	10,813,289	4,604,841	6,500	0	263,723,268	279,147,897
Inspections & Appeals	0	4,999	0	31,700	0	36,699
Insurance Division	32,858	54,500	138,250	205,300	0	430,908
Iowa Communications Network	244,899	0	0	100,000	1,915,508	2,260,407
Iowa Public Employees' Retirement						
System Administration	0	0	915,944,426	954,500	0	916,898,926
Iowa Public Television	81,966	0	253,112	20,300	0	355,378
Iowa Workforce Development	0	2,500,114	0	1,920,121	0	4,420,235
Judicial Branch	66,125	66,103	0	1,250	0	133,478
Lottery Authority	170,193	0	0	15,300	0	185,493
Management	354,657	4,875	0	0	0	359,532
Natural Resources	3,871,929	1,424,538	110,725	2,153,518	240,781	7,801,491
Office of Drug Control Policy	0	95,055	0	0	0	95,055
Public Defense	0	8,480	0	0	725,455	733,935
Public Health	1,721,259	2,484,885	428,272	293,400	6,680,618	11,608,434
Public Safety	144,229	13,800	1,600	8,388	0	168,018
Utilities Division	0	0	971,568	0	0	971,568
Veterans Affairs Capital	0	0	0	3,350	0	3,350
Veterans Affairs	0	0	0	25,216	945,276	970,492
Vocational Rehabilitation	5,000	20,000	0	155,920	478,457	659,377
Grand Total	\$ 22,163,046	\$ 16,216,072	\$ 918,160,813	\$ 6,907,985	\$ 277,864,754	\$ 1,241,312,669

Table 5 shows the funding sources for PCQ service contracts by department. (Attachment C breaks this information down by fiscal year.) It appears that the majority of the funding comes from other nonappropriated state funding. The two extremely large contract amounts for IPERS (other source) and DHS (combined source) confound the patterns in this table. If those two amounts are dropped from examination, 10.6% of the contract funding comes from appropriated state funds; 7.8% comes from federal sources; 8.7% comes from other nonappropriated state sources, 69.6% comes from combined sources; and 3.3% of the funds did not have the source identified. The DHS, the DNR, and the DAS have the most state funding for PCQ contracts,

and the DHS, the DE, Workforce Development (IWD), and the DPH have the largest federal funded amounts. Without the \$900.0 million contract, IPERS still uses the most funding from other state sources to fund the PCQ contracts, and the DHS dominates the combined funding sources.

The amount of funding with the source not reported is somewhat problematic. The DNR did not report the source for \$2.2 million worth of contracts or 27.6% of their funding sources, and IWD did not report on \$1.9 million (43.4%) of its funding. (The DNR did not report the funding source for 92 PCQ contracts out of a total of 309, and IWD did not report for 16 out of 35.)

Table 6 shows the amounts by funding source for the different types of PCQ contracts. Expert consultants, social service contracts, and medical contracts account for most of the funding through appropriated state funds. Expert consultants, social service, and training dominate the use of federal sources. Even without the large IPERS contract, business financial contracts and building construction use the most other sources. The combined sources fund more expert consultants, medical, and social services contracts when ignoring the large DHS contract.

Table 6

Type of Service	Total				Combined	Total
	State	Federal	Other	Not Reported		
Building Construction	\$ 1,598,714	\$ 1,642,349	\$ 5,508,926	\$ 1,043,720	\$ 2,361,392	\$ 12,155,100
Business Financial	622,785	964,315	911,550,378	940,163	1,023,636	915,101,277
Computer	440,588	1,130,799	87,250	1,714,271	139,821,262	143,194,170
Custodial	478,963	101,255	0	159,750	130,913	870,881
Equipment Maintenance	253,296	0	0	20,650	257,532	531,479
Expert Consultant	8,391,780	4,419,300	419,522	2,528,271	79,099,645	94,858,518
Legal	280,101	31,999	0	20,000	690,999	1,023,099
Medical	4,170,781	412,880	33,200	66,908	10,382,285	15,066,054
Rent	4,900	23,098	0	0	0	27,998
Social Service	5,135,764	3,995,409	14,649	123,785	38,046,677	47,316,285
Training	785,373	3,494,668	546,888	290,467	6,050,413	11,167,809
Grand Total	<u>\$ 22,163,046</u>	<u>\$ 16,216,072</u>	<u>\$ 918,160,813</u>	<u>\$ 6,907,985</u>	<u>\$ 277,864,754</u>	<u>\$ 1,241,312,669</u>

Sole Source. **Table 7** shows the reporting for sole source contracting through the PCQ process. Over the four years examined, the percentage of sole source contracts approved ranged from 4.7% to 14.0% of the PCQ contracts for that year. The DNR accounted for 36.4% of the sole source contracts. Probably more interesting is the percentage of times the question was left blank on the DAS form. The item was left blank a high of 31.6% of the time in FY 2010 and a low of 16.5% in FY 2012. The DPH accounted for 53.6% of the blank responses. With this much missing data, any conclusions would be imprecise.

Table 7

Department Name	Sole Source Use by Departments																			
	FY 2010					2011					2012					2013				
	Left Blank	No	Yes	Pct Yes	Total	Left Blank	No	Yes	Pct Yes	Total	Left Blank	No	Yes	Pct Yes	Total	Left Blank	No	Yes	Pct Yes	Total
Administrative Services	10	22		0.0%	32	5	4	1	10.0%	10	4				4	16	4		0.0%	20
Agriculture and Land Stewardship	4	3		0.0%	7	5	3	1	11.1%	9		1		0.0%	1		1	1	50.0%	2
Auditor Of State																		1	100.0%	1
Banking Division													1	100.0%	1					
Blind							2		0.0%	2					1	100.0%				1
College Aid Commission						1			0.0%	1										
Consumer Advocate			1	100.0%	1								1	0.0%	1					
Corrections								1	33.3%	3			1	0.0%				1	0.0%	1
Cultural Affairs						2	10	3	18.8%	16	1	17	4	18.2%	22	1	9	1	9.1%	11
Economic Development	3	3	1	14.3%	7	3	10	3	18.8%	16	1	17	4	18.2%	22	1	9	1	9.1%	11
Education	5	182	6	3.1%	193	5	89	6	6.0%	100	3	77	6	7.0%	86	1	68	3	4.2%	72
Human Rights			1	100.0%	1											3	2	3	37.5%	8
Human Services	11	86	1	1.0%	98	5	54	3	4.8%	62	3	80	5	5.7%	88	1	24	6	19.4%	31
Inspections & Appeals		3		0.0%	3		2		0.0%	2		1		100.0%	1				100.0%	1
Insurance Division			1	100.0%	1		3		0.0%	3		1	1	50.0%	2	2	2	1	20.0%	5
Iowa Communications Network		1	4	80.0%	5	1			0.0%	1	2	5		0.0%	7					
Iowa Public Employees' Retirement System Administration						1	4		0.0%	5	9	5		0.0%	14		2		0.0%	2
Iowa Public Television	1	14	1	6.3%	16		16		0.0%	16		25		0.0%	25		11		0.0%	11
Iowa Workforce Development	1	13	2	12.5%	16		11	1	8.3%	12		4	1	20.0%	5		2		0.0%	2
Judicial Branch	5			0.0%	5	2	1		0.0%	3	4		1	20.0%	5	9			0.0%	9
Lottery Authority							2		0.0%	2		4	2	33.3%	6		8	2	20.0%	10
Management		2		0.0%	2		4		0.0%	4		1	1	50.0%	2		1		0.0%	1
Natural Resources	15	21		0.0%	36	17	72	28	23.9%	117	9	71	30	27.3%	110	3	38	5	10.9%	46
Office of Drug Control Policy		1	1	50.0%	2		1		100.0%	1		4		100.0%	4		3	3	100.0%	3
Public Defense		1		0.0%	1		2		0.0%	2	1			0.0%	1		2		0.0%	2
Public Health	122	5	8	5.9%	135	42	9	1	1.9%	52	34	1	1	2.8%	36	17	5	6	21.4%	28
Public Safety		2		0.0%	2	1	2	2	40.0%	5		3	3	50.0%	6		3	2	40.0%	5
Utilities Division												1		0.0%	1		1		100.0%	1
Veterans Affairs Capital	1			0.0%	1															
Veterans Affairs	2	2		0.0%	4		9		0.0%	9	3	6		0.0%	9	5			0.0%	5
Vocational Rehabilitation		2		0.0%	2		10		0.0%	10		4		0.0%	4		6		0.0%	6
Grand Total	180	363	27	4.7%	570	90	309	48	10.7%	447	73	307	62	14.0%	442	58	189	36	12.7%	283
Percentage Blank	31.6%					20.1%					16.5%					20.5%				

BUDGET IMPACT

Over four years, questionnaires representing 1,742 contracts and \$1.2 billion worth of spending were approved through the Services PCQ. This funding went to individuals and businesses outside of state government and sometimes out-of-state.

Currently preaudit functions authorizing payments are handled at the department level. The DAS may want to examine the PCQ process and develop a means to intervene before contract payments are made to enforce complete reporting and reduce the missing data on the PCQ submissions, particularly for funding sources and for sole source contracting data. If needed, action by the Legislature could be requested.

The oversight and reporting provided to the LSA by DAS focus on new individual service contracts. It would be more informative and provide greater transparency in government if DAS and the other State agencies reported on all service contracting broken down by type of contractor (such as, individuals, small businesses, and corporations) utilized by each department. This would allow examination of total expenditures, variations in staffing, and show how departments are fulfilling some of their responsibilities.

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REFERENCE

Department of Administrative Services (DAS): <http://das.gse.iowa.gov/procurement/scg.html>

Twenty Common Law Factors for Determining an Employer/Employee Relationship

- A. Indicators of control by employer
 - 1. Set hours of work
 - 2. Full-time work requirement
 - 3. Set order or sequence of work
 - 4. Oral or written reports required

- B. Other indicators of employer/employee relationship
 - 5. Personal service required
 - 6. Hiring, supervising, and paying helpers
 - 7. Payment of business or travel expense
 - 8. Work performed on employer's premises
 - 9. Furnishing of tools and materials

- C. Indicators common to independent contractors
 - 10. Significant investment
 - 11. Realization of profit or risk of loss
 - 12. Work performed for more than one firm
 - 13. Services made available to the public

- D. Strong indicator of employer/employee relationship
 - 14. Continuing work relationship
 - 15. Paid by hour, week, month, or piece-work
 - 16. Right to discharge
 - 17. Right to terminate

- E. Indicators of control by employer
 - 18. Training provided
 - 19. Instructions given
 - 20. Integration

SERVICES PRE-CONTRACT QUESTIONNAIRE

Prepare and submit this form prior to entering into a Services Contract. If the Contractor is listed on the VCUST with the SAE Control Number under Organization, enter the SAE Control Number from VCUST in the space below and submit this form with the first invoice for payment.

1. Department _____
 Contact _____ Phone _____ Fax _____
2. Contractor _____
 Federal Tax ID or Social Security Number _____
 Address _____

3. Contracted Service/Product _____
4. Contract Period From _____ To _____
5. Contract Cost: \$ _____
 Source of Funds: State ___% Fed ___% Other ___% Explanation _____
 Account Codes: Fund _____ Dept _____ Unit _____ Sub-Unit _____ Object _____
6. New Contract Amended Contract Previous Contract Date _____

.....

For Department Use

Attach form SS-8 if not contracting with a corporation,
 attach PCQ and signed contract, & forward to DAS-SAE

Sole Source? Yes No

Employer/Employee Relationship? Yes

Signature of Department Director or Designee

Typed Name

Title

Date

Generic Contract Number _____

SAE Control Number _____

For Department of Administrative Services Use

Employer/Employee Relationship? Yes No

DAS-SAE Signature

Date

Service Contract Amounts for Each Department by Funding Source

Department Name	FY 2010						FY 2011					
	State	Federal	Other	Not Reported	Combined	Total	State	Federal	Other	Not Reported	Combined	Total
Administrative Services	\$ 777,047	\$ 0	\$ 128,000	\$ 0	\$ 533,050	\$ 1,438,097	\$ 725,940	\$ 0	\$ 0	\$ 56,000	\$ 0	\$ 781,940
Agriculture and Land Stewardship	0	1,253,815	0	415,946	3,200	1,672,961	0	37,005	0	110,465	0	147,470
Auditor Of State	0	0	0	0	0	0	0	0	0	0	0	0
Banking Division	0	0	0	0	0	0	0	0	0	0	0	0
Blind	0	0	0	0	0	0	8,960	0	0	0	15,000	23,960
College Aid Commission	0	0	0	0	0	0	0	100,000	0	0	0	100,000
Consumer Advocate	30,000	0	0	0	0	30,000	0	0	0	0	0	0
Corrections	0	0	0	0	0	0	0	0	0	0	0	0
Cultural Affairs	0	0	0	0	0	0	0	34,000	4,700	0	0	38,700
Economic Development	49,400	0	0	40,389	0	89,789	720,300	19,917	0	27,788	0	768,005
Education	266,219	858,195	4,351	2,418	0	1,131,183	183,827	555,604	22,771	36,647	0	798,849
Human Rights	2,138	0	0	0	0	2,138	0	0	0	0	0	0
Human Services	3,988,792	2,263,662	0	0	54,895,338	61,147,792	4,063,017	2,119,480	0	0	51,228,203	57,410,699
Inspections & Appeals	0	0	0	21,000	0	21,000	0	0	0	7,700	0	7,700
Insurance Division	0	50,000	0	0	0	50,000	29,858	0	0	99,000	0	128,858
Iowa Communications Network	94,899	0	0	100,000	0	194,899	0	0	0	0	1,239,639	1,239,639
Iowa Public Employees' Retirement	0	0	0	0	0	0	0	0	6,887,880	739,500	0	7,627,380
Iowa Public Television	38,116	0	25,000	15,300	0	78,416	37,066	0	74,482	0	0	111,548
Iowa Workforce Development	0	581,625	0	186,198	0	767,823	0	1,918,489	0	513,575	0	2,432,064
Judicial Branch	17,180	28,000	0	0	0	45,180	11,400	12,025	0	0	0	23,425
Lottery Authority	0	0	0	0	0	0	13,500	0	0	0	0	13,500
Management	332,600	0	0	0	0	332,600	17,574	0	0	0	0	17,574
Natural Resources	567,568	306,303	4,500	39,583	18,900	936,854	824,124	472,266	65,000	224,096	180,852	1,766,338
Office of Drug Control Policy	0	43,055	0	0	0	43,055	0	1,500	0	0	0	1,500
Public Defense	0	0	0	0	150,000	150,000	0	0	0	0	346,955	346,955
Public Health	360,170	135,022	326,893	23,400	32,151	877,636	931,540	918,971	20,185	80,000	5,258,225	7,208,921
Public Safety	32,500	0	0	0	0	32,500	68,921	0	0	0	0	68,921
Utilities Division	0	0	0	0	0	0	0	0	0	0	0	0
Veterans Affairs Capital	0	0	0	3,350	0	3,350	0	0	0	0	0	0
Veterans Affairs	0	0	0	25,216	0	25,216	0	0	0	0	754,058	754,058
Vocational Rehabilitation	0	0	0	0	14,715	14,715	0	20,000	0	155,920	410,405	586,325
Grand Total	\$ 6,556,627	\$ 5,519,677	\$ 488,744	\$ 872,800	\$ 55,647,354	\$ 69,085,202	\$ 7,636,026	\$ 6,209,257	\$ 7,075,018	\$ 2,050,692	\$ 59,433,336	\$ 82,404,328

Department Name	FY 2012						FY 2013					
	State	Federal	Other	Not Reported	Combined	Total	State	Federal	Other	Not Reported	Combined	Total
Administrative Services	\$ 19,890	\$ 0	\$ 0	\$ 50,000	\$ 2,593,291	\$ 2,663,181	\$ 1,179,279	\$ 0	\$ 106,450	\$ 200,000	\$ 0	\$ 1,485,729
Agriculture and Land Stewardship	0	0	0	2,500	0	2,500	0	0	7,500	1,048	0	8,548
Auditor Of State	0	0	0	0	0	0	3,200	0	0	0	0	3,200
Banking Division	2,500	0	0	0	0	2,500	0	0	0	0	0	0
Blind	0	0	0	0	10,850	10,850	0	0	0	0	0	0
College Aid Commission	0	0	0	0	0	0	0	0	0	0	0	0
Consumer Advocate	0	0	0	0	0	0	0	0	0	0	0	0
Corrections	0	0	0	45,000	0	45,000	0	0	0	0	0	0
Cultural Affairs	0	0	0	0	0	0	4,800	0	0	0	0	4,800
Economic Development	113,249	137,428	0	9,436	0	260,113	250,800	198,809	0	4,410	0	454,019
Education	182,654	848,459	0	17,675	0	1,048,788	111,009	885,675	32,588	0	0	1,029,272
Human Rights	0	0	0	0	0	0	25,432	4,975	0	0	0	30,407
Human Services	1,278,864	178,000	6,500	0	19,531,602	20,994,966	1,482,616	43,699	0	0	138,068,125	139,594,440
Inspections & Appeals	0	4,999	0	0	0	4,999	0	0	0	3,000	0	3,000
Insurance Division	0	4,500	0	6,300	0	10,800	3,000	0	138,250	100,000	0	241,250
Iowa Communications Network	150,000	0	0	0	675,869	825,869	0	0	0	0	0	0
Iowa Public Employees' Retirement	0	0	908,376,746	215,000	0	908,591,746	0	0	679,800	0	0	679,800
Iowa Public Television	4,404	0	127,950	5,000	0	137,354	2,380	0	25,680	0	0	28,060
Iowa Workforce Development	0	0	0	639,848	0	639,848	0	0	0	580,500	0	580,500
Judicial Branch	7,922	7,578	0	1,250	0	16,749	29,624	18,500	0	0	0	48,124
Lottery Authority	45,400	0	0	8,300	0	53,700	111,293	0	0	7,000	0	118,293
Management	4,483	0	0	0	0	4,483	0	4,875	0	0	0	4,875
Natural Resources	2,392,926	325,692	0	1,645,826	21,224	4,385,668	87,311	320,278	41,225	244,013	19,805	712,631
Office of Drug Control Policy	0	41,500	0	0	0	41,500	0	9,000	0	0	0	9,000
Public Defense	0	8,480	0	0	0	8,480	0	0	0	0	228,500	228,500
Public Health	114,400	220,068	2,994	160,000	149,375	646,837	315,149	1,210,824	78,200	30,000	1,240,867	2,875,040
Public Safety	32,814	0	1,600	8,388	0	42,802	9,995	13,800	0	0	0	23,795
Utilities Division	0	0	953,568	0	0	953,568	0	0	18,000	0	0	18,000
Veterans Affairs Capital	0	0	0	0	0	0	0	0	0	0	0	0
Veterans Affairs	0	0	0	0	137,307	137,307	0	0	0	0	53,911	53,911
Vocational Rehabilitation	0	0	0	0	9,879	9,879	5,000	0	0	0	43,458	48,458
Grand Total	\$ 4,349,506	\$ 1,776,704	\$ 909,469,358	\$ 2,814,523	\$ 23,129,398	\$ 941,539,488	\$ 3,620,886	\$ 2,710,435	\$ 1,127,693	\$ 1,169,970	\$ 139,654,666	\$ 148,283,651