



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

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North Carolina Should Eliminate the Use of Personal Services Contracts in Favor of Using Existing Mechanisms

Summary

This evaluation examines the statewide use of personal services contracts to acquire services from a professional individual on a temporary or occasional basis. Most personal services contracts are exempt from state procurement rules governing the purchase of goods and services.

Agencies and institutions have circumvented state law when procuring personal services and have also compensated contractors at high rates.

Agencies have circumvented the approval process for consultant services, failed to report personal services contracts with state retirees, and compensated contractors at higher rates than executive-level employees in state government.

The reporting requirement for personal services contracts fails to capture the magnitude of the number and cost of contracts and provides insufficient oversight of their use. Although state agencies and institutions report on the use of personal services contracts with annual expenditures greater than \$25,000, the Office of State Budget and Management (OSBM) does not comprehensively analyze this data.

Executive Branch agencies have violated state law by not obtaining approval for IT personal services contracts, and the Office of Information Technology Services (OITS) lacks a process to ensure compliance. The vast majority of IT personal services procured by agencies during Fiscal Year 2012–13 did not obtain approval from OITS as required by law.

The lack of a shared definition and process for personal services contracts has led to erroneous procurement, classification, and reporting. Agencies have used personal services contracts to procure services from companies and individuals without unique and specialized skills.

Personal services contracts are unnecessary because existing mechanisms with greater oversight allow agencies and institutions to procure services from individuals on a temporary or occasional basis. Agencies and institutions could use service contracts, consultant contracts, Temporary Solutions, and IT Short-Term Staffing to acquire services from individuals. The State could have saved almost \$1 million in Fiscal Year 2012–13 if all Executive Branch agencies had used Temporary Solutions in lieu of using personal services contracts.

To address these findings, the General Assembly should enact legislation to

- prohibit the use of personal services contracts;
- require all Executive Branch agencies to obtain non-IT supplemental staff through the Office of State Human Resources; and
- require OITS and OSBM to approve the procurement of IT services from individuals, report on a biennial basis, and conduct compliance reviews.