



# Report Highlights

## Approval and Tracking of Contracts in State Government

### Office of Contractual Review

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### Why We Conducted This Audit

As of November 2014, Louisiana had at least 14,693 contracts totaling approximately \$21.3 billion. Because of the high number and dollar amount of contracts, the purpose of this review was to provide information on how Louisiana approves and tracks contracts.

### What We Found

State law charges the Office of Contractual Review (OCR) within the Division of Administration with reviewing and approving all professional, personal, consulting, and social services contracts entered into by state agencies. OCR uses the Contract Financial Management System (CFMS) to track and monitor contract information. As of November 2014, Louisiana had at least 14,693 contracts totaling approximately \$21.3 billion in CFMS. The exhibit below summarizes the top 10 entities with the largest contract amounts.

**Top 10 Executive Branch Entities by Total Contract Amount in CFMS as of November 1, 2014**

| Entity   | Number of Contracts | Amount of Contracts |
|--|---------------------|---------------------|
| 1. Division of Administration - Facility Planning and Control                    | 3,769               | \$3,550,632,906     |
| 2. Division of Administration, Office of Community Development                   | 2,161               | \$3,040,029,063     |
| 3. Department of Health and Hospitals - Medical Vendor Administration            | 62                  | \$1,660,939,639     |
| 4. Division of Administration, Office of Group Benefits                          | 24                  | \$1,529,636,069     |
| 5. Governor's Office of Homeland Security and Emergency Preparedness             | 18                  | \$955,153,554       |
| 6. Department of Economic Development, Office of the Secretary                   | 175                 | \$757,927,484       |
| 7. Office of Coastal Protection and Restoration                                  | 173                 | \$680,244,053       |
| 8. Department of Natural Resources, Office of Coastal Restoration and Management | 107                 | \$679,629,086       |
| 9. Division of Administration - Debt Service and Maintenance                     | 4                   | \$677,907,973       |
| 10. Adult Community-Based Rehabilitation Program                                 | 42                  | \$644,032,572       |

Source: Prepared by legislative auditor's staff using CFMS data as of November 1, 2014.

During our review, we found the following issues:

- **Louisiana law does not require that a centralized entity approve all types of contracts.** OCR is only required to approve seven of 20 contract types. The remaining 13 contract types represented 8,068, or 55% of all contracts, and totaled approximately \$6.2 billion, or 29% of total contract amounts as of November 2014.
- **OCR delegates approval for certain contracts to state agencies. In fiscal year 2014, a total of 72 agencies approved 4,599 contracts totaling approximately \$278.6 million.** State law allows the director of OCR to delegate authority to executive branch agencies for the approval of professional, personal,

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## What We Found (Cont.)

consulting, and social services contracts under \$20,000, and to grant special delegated authority to any state agency for routine contracts for any amount. According to OCR, delegating its approval authority helps make the approval process for agencies more timely, as smaller value contracts can be handled in-house by the agencies. OCR can rescind an agency's delegated authority if it does not comply with procurement laws and regulations. According to OCR, the only entities that have had their authority rescinded in the past ten years were the Department of Education and the Board of Elementary and Secondary Education on July 2, 2014.

| Exhibit 3<br>Top 10 Entities with Delegated Authority for Contracts ≤ \$20,000<br>Fiscal Year 2014 |                     |                          |
|--|---------------------|--------------------------|
| Entity   | Number of Contracts | Total Value of Contracts |
| 1. Office of Risk Management   | 623                 | \$9,552,965              |
| 2. Louisiana State University (LSU) - Baton Rouge  | 486                 | \$3,285,624              |
| 3. Division of Administration - Patient's Compensation Fund  | 102                 | \$2,002,000              |
| 4. LSU Medical Center/Health Sciences Center -<br>New Orleans                                      | 137                 | \$1,268,621              |
| 5. Department of Public Safety   | 101                 | \$875,972                |
| 6. Department of Health and Hospitals  | 153                 | \$731,481                |
| 7. Department of Corrections   | 64                  | \$720,081                |
| 8. Department of Children and Family Services  | 66                  | \$708,717                |
| 9. University of Louisiana - Monroe  | 82                  | \$556,018                |
| 10. Northwestern State University  | 89                  | \$538,290                |

Source: Prepared by legislative auditor's staff using information provided by OCR.

- **Nothing in state law requires that all entities with state contracts enter contract information in CFMS.** In addition, OCR requires but has not developed a process to ensure that contracts approved under delegated authority are entered into CFMS. As a result, there is no centralized database where legislators and other stakeholders can easily determine the actual number and dollar amount of all state contracts.