



**SPECIAL AUDIT OF THE  
OFFICE OF THE BUDGET**

***USE OF SETTLEMENT AGREEMENTS  
TO PAY VENDORS WITHOUT CONTRACTS***

**JANUARY 2007**

January 24, 2007

The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
225 Main Capitol Building  
Harrisburg, PA 17120

Dear Governor Rendell:

This report contains the results of the Department of the Auditor General's special audit of the Office of the Budget's (OB) use of settlement agreements to pay vendors without contracts, for the period January 1, 2002 through June 30, 2005. The audit was conducted pursuant to Sections 402 and 403 of the Fiscal Code and in accordance with applicable *Government Auditing Standards* issued by the Comptroller General of the United States.

Finding 1 of this report places in perspective the use of settlement agreements to pay vendors that had been allowed to work without contracts. This procedure gives the perception of circumventing the competitive bidding process. Finding 2 discusses the inadequate monitoring of invoices prior to the approval of payment. Lastly, Finding 3 communicates the need to put in writing the expected services of the contract to be performed to ensure compliance with expectations.

We submitted a draft of this special audit to OB on June 15, 2006. Written comments for inclusion in the report were received on December 15, 2006.

Sincerely,

JACK WAGNER  
Auditor General



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**SETTLEMENT AGREEMENTS  
JANUARY 1, 2002 THROUGH JUNE 30, 2005**

**OFFICE OF THE BUDGET**

**EXECUTIVE SUMMARY**

<b>FINDINGS</b>	<b>SUMMARY</b>
<i>Finding No. 1 – The Commonwealth Has Used Settlement Agreements As After-The-Fact Vehicles To Pay PFM And Other Vendors That Had Been Allowed To Work Without Contracts.</i>	We found that the Commonwealth’s use of settlement agreements has increased by 124 or 185 percent from calendar year 2002 to calendar year 2003. For the 30-month period ended June 30, 2004, the Commonwealth processed 361 settlement agreements. Based on our review of 37 settlement agreements, we determined that 27 failed to comply with the Field Procurement Handbook (Handbook) because the settlement agreements were used to pay for services outside the context of a contract. We found that 10 complied with the Handbook because valid contracts existed during the time the services were provided. By failing to comply with the Handbook, an agency gives the perception of circumventing the competitive bidding process and violating the intent of the Commonwealth Procurement Code (Code).
<b>RECOMMENDATION</b>	
We recommend that OB follow both the Code and the Handbook in its procurements. In particular, we recommend that OB discontinue the unauthorized practice of using settlement agreements after-the-fact to pay vendors that had been allowed to work without contracts, rather than simply to resolve disputes arising out of executed contracts. In those rare cases in which a genuine emergency exists, the emergency procurement process as outlined in the Code and the Handbook should be followed.	

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**EXECUTIVE SUMMARY**

<b>FINDINGS</b>	<b>SUMMARY</b>
<i><b>Finding No. 2 – The Office Of The Budget Approved The Payment Of Invoices Despite PFM’s Failure To Comply With Contract Billing Requirements.</b></i>	Our review of all 23 Contract invoices totaling \$347,350 paid to PFM through June 30, 2005 found that 17 invoices had 34 noncompliance Contract issues and should not have been paid. Deficiencies found included: one invoice that listed two months of retainer service charges; one invoice was not signed by PFM; one invoice did not itemize by staff classifications, date, hours worked and rate, and was not signed by OB; one invoice did not list by date the hours worked; 16 invoices did not contain a certification statement; and 14 invoices did not include PFM’s federal employer identification number. We also examined all 16 invoices for Settlement Agreements 1 and 2 and found that they contained adequate support and were in compliance with the terms of the settlement agreements.
<b>RECOMMENDATION</b>	
We recommend that OB require PFM and other vendors to comply with the terms of contracts, including provisions regarding the submission of invoices for payment, and that OB decline to approve payments for non-compliant invoices.	

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**EXECUTIVE SUMMARY**

<b>FINDINGS</b>	<b>SUMMARY</b>
<p><i><b>Finding No. 3 – Due To The Lack Of A Contract And Other Documentation, It Is Unclear Whether PFM’s Performance Met The Office Of The Budget’s Expectations.</b></i></p>	<p>During the eight-month period, January 22, 2003 through September 23, 2003, OB allowed PFM to provide services through “verbal direction” instead of a written contract. As a result, we could not determine whether PFM satisfied OB’s expectations, in either substance or timeliness, with regard to services performed and documents or other outputs delivered. Of OB’s list of 90 deliverables, we examined seven from the Settlement Agreement period to determine whether the Commonwealth received what it requested and if the deliverables were received timely. OB stated, “There are no documents evidencing deliverable dates for the matters paid under the settlement agreements.” We also examined one deliverable from the Contract period and found it was received timely. The failure to communicate the scope of services, expected output, deadlines, and other expectations to vendors in writing may result in management’s intentions not being met and additional costs being incurred.</p>
<b>RECOMMENDATION</b>	
<p>We recommend that OB communicate the scope of services, expected output, deadlines, and other expectations in writing to vendors that are performing services without a contract. However, as discussed in Finding No. 1, contracts should be used in the absence of a genuine emergency, eliminating the need for this recommendation in most cases.</p>	



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**SETTLEMENT AGREEMENTS**  
**JANUARY 1, 2002 THROUGH JUNE 30, 2005**

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**OFFICE OF THE BUDGET**

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**BACKGROUND**

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In January 2004, the Department of the Auditor General (Department) received a request from a member of the General Assembly for the Department to determine if the process used by the Governor's Office of the Budget (OB) to acquire the advisory services of Public Financial Management (PFM) was appropriate. Immediately following the Governor's inauguration, OB engaged PFM to advise it on a variety of issues that needed to be addressed by the new administration, including those related to the state budget, economic development, health care, and education.<sup>1</sup>

After receiving preliminary information from OB, the Department responded to the legislator in a letter dated March 15, 2004, "that there was adequate legal authority for awarding the PFM contract on a sole source basis and, therefore, there was no violation of state law pertaining to sole source. . . ." Sole source justification from OB states, "The contract between the Office of the Budget and Public Financial Management is a sole source contract pursuant to the authority of the Secretary of the Budget to select financial or investment experts under Section 515(9) of the Commonwealth Code, 62 Pa. C.S.A. § 515(9)."

However, because OB had explained that working without a contract is "not an unknown practice in this Commonwealth" – identifying more than 160 instances processed in calendar year 2002 alone in which vendors had been paid through settlement agreements – and because OB did not fully address other concerns in its reply, the Department determined that an audit was necessary.

Therefore, in May 2004, the Department notified OB that it would conduct a special audit of the sole source contract for advisory services provided by PFM under Contract No. 4000005445 (Contract), the statements of work performed under the Contract, and Settlement Agreements 1 and 2 (Settlement Agreements) for services provided by PFM prior to the date on which the Contract was executed.

Act 57 of 1998, entitled the Commonwealth Procurement Code (Code), defines procurement to include "all functions that pertain to the obtaining of any supply, service or construction, including description of requirements, selection and solicitation of sources, preparation and award of contract and all phases of contract administration." The Code authorizes the Department of General Services (DGS) to formulate procurement policy. DGS' intent in publishing the Field Procurement Handbook (Handbook) is "to maintain the latitude and flexibility conceived by Act 57 and, through these policies, procedures, and guidelines, to make it

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<sup>1</sup> Although the fiscal crisis faced by the City of Pittsburgh (city) was one of the many issues about which the new administration sought advice from PFM, the services provided by PFM that are discussed in this report are not those that the firm provided from November 2003 through the present in relation to the city's request for state assistance in recovering from its financially distressed status under Act 47 of 1987, as amended. The Act 47 engagements, which were also initiated without written contracts, may raise the same issues as the engagement discussed in this report.

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**SETTLEMENT AGREEMENTS**  
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**OFFICE OF THE BUDGET**

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**BACKGROUND**

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easier for Commonwealth employees and for those who want to do business with the Commonwealth.”

Section 511 of the Code states, “Unless otherwise authorized by law, all Commonwealth agency contracts shall be awarded by competitive sealed bidding” except certain purchases, including, but not limited to, small procurements, sole source procurement, and emergency procurement.

Section 514 of the Code allows DGS to authorize dollar amount limits for small procurements. Small procurements for supplies or services not exceeding \$3,000 do not require competitive bidding. Additionally, small procurements for supplies or services exceeding \$3,000 but not exceeding \$10,000 require three bids by telephone, facsimile transmission, or electronic medium, and require a Field Purchase Order or execution of a Service Purchase Contract. Procurements of supplies and services exceeding \$10,000 require competitive sealed bidding.

Section 515 of the Code allows contracts to be awarded without competition on a sole source basis under ten conditions. The reason for the sole source must be included in the contract file. One of the conditions is that the contract is for financial or investment experts used and selected by the Treasury Department or the Secretary of the Budget. As cited on the preceding page, OB utilized this condition as the basis for awarding the PFM contract without competitive bidding.

Section 516 of the Code allows the head of an agency to make or authorize “an emergency procurement when there exists a threat to public health, welfare or safety or circumstances outside the control of the agency creates an urgency of need which does not permit the delay in using more formal competitive methods.” The reason for the emergency determination and why a contractor was selected must be included in the contract file.

Services performed by PFM prior to the execution of the Contract were authorized and approved after-the-fact by using two settlement agreements. Settlement Agreement 1, dated October 8, 2003, provided payment of \$707,183 for PFM services from January 22 through June 30, 2003, and Settlement Agreement 2, dated February 24, 2004 provided payment of \$172,401 for services provided from July 1 through September 23, 2003.

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**SETTLEMENT AGREEMENTS**  
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The Contract was executed on September 24, 2003 and provided payment of \$12,500 in monthly retainers. Part of the Contract also allowed PFM to provide other services to the Commonwealth through execution of Statements of Work. As of June 30, 2005, payments related to monthly retainers and Statements of Work totaled \$200,000 and \$147,350, respectively. Overall, PFM was paid \$1,226,934 as of June 30, 2005.

The Handbook refers to settlement agreements as one instrument to resolve claims by contractors. Other instruments include contract amendments, contract modifications, and change orders. Once a contractor files a claim arising from an executed contract, the contracting officer reviews the claim. If the contracting officer approves or settles the claim, a written settlement agreement or other instrument is prepared. If a settlement agreement is used, it is forwarded to OB for approval. Once approved, it is sent to the various comptroller offices for review and approval, disapproval, or further inquiry. If the contracting officer cannot resolve the claim, the contractor has the right to file a claim with the Board of Claims.

Therefore, the Handbook allows settlement agreements to resolve disputes arising out of executed contracts. However, the “settlement agreements” used by OB for PFM and used by other Commonwealth agencies for other vendors were a means to provide payment for the performance of certain duties after-the-fact without any contracts, a use that is not anticipated by either the Handbook or the Code.

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**SETTLEMENT AGREEMENTS**  
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**AUDIT OBJECTIVES, SCOPE AND METHODOLOGY**

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We conducted this audit under the authority of Sections 402 and 403 of The Fiscal Code. Section 402 authorizes the Department to conduct “special audits” of the affairs of executive agencies whenever the Auditor General has determined such audits to appear necessary. Section 403 authorizes the Department to audit the accounts and records of “every person, association, corporation, and public agency” receiving Commonwealth funds in order to determine if the funds were expended for their intended purposes.

The audit objectives to address these concerns were to determine:

- Whether the total number and dollar value of all contract settlement agreements indicate any systemic problems in ensuring compliance with applicable provisions of Chapter 4 of the Field Procurement Handbook;
- Whether it was necessary or prudent for Commonwealth officials to authorize PFM to commence work and continue providing services for eight months before entering into a written contract;
- How payments to PFM for services included in the Settlement Agreements were calculated, specifically: (a) What, if any, prior informal understandings had been reached at the time work commenced or while work was proceeding as to how PFM would be compensated for these services; and (b) What, if any, review was conducted of PFM’s after-the-fact invoices in support of payments it received under the Settlement Agreements;
- Whether PFM’s fees for advisory services are adequately supported and appear reasonable for the services provided; and
- Whether all deliverables required by the Settlement Agreements and the Contract were provided and were provided timely to the Governor’s administration.

This special audit covered the period January 1, 2002, through June 30, 2005. It included settlement agreements processed from January 1, 2002 through June 30, 2004, and PFM services from January 22, 2003, through payments made to PFM as of June 30, 2005. We conducted the audit in accordance with applicable *Government Auditing Standards* issued by the Comptroller General of the United States and included procedures that we considered necessary to accomplish the audit objectives.

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**AUDIT OBJECTIVES, SCOPE AND METHODOLOGY**

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The methodology in support of the audit objectives included:

- Reviewing the Commonwealth Procurement Code and Field Procurement Handbook;
- Corresponding with OB management;
- Reviewing listings of settlement agreements provided by OB and obtaining a sample of settlement agreements for attribute testing;
- Reviewing PFM Settlement Agreements 1 and 2, Contract No. 4000005445 and related Statements of Work;
- Examining PFM invoices and other supporting documentation; and
- Reviewing listings of PFM deliverables provided by OB and obtaining a sample of deliverables for attribute testing.

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## **FINDINGS AND RECOMMENDATIONS**

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**SETTLEMENT AGREEMENTS**  
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**OFFICE OF THE BUDGET**

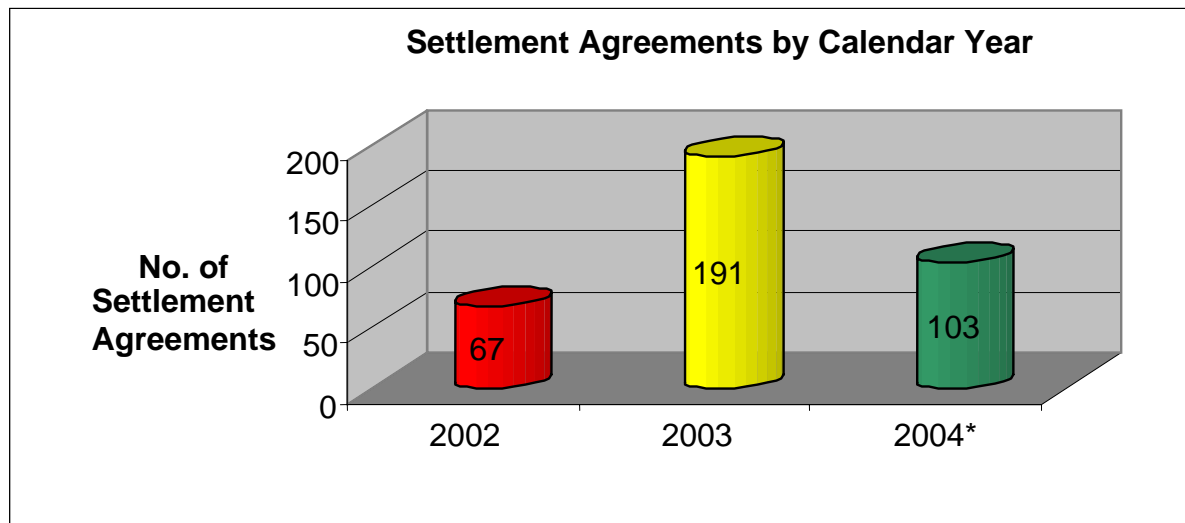
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**FINDING NO. 1 - The Commonwealth Has Used Settlement Agreements As After-the-Fact Vehicles To Pay PFM And Other Vendors That Had Been Allowed To Work Without Contracts.**

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The Commonwealth uses settlement agreements to pay vendors allowed to work without contracts. The Secretary of the Budget has stated, “The conduct of work without a contract, although not a routine occurrence, is also not an unknown practice in this Commonwealth.” However, as discussed below, the number of settlement agreements issued appears to indicate that a vendor working without a contract is, in fact, a routine occurrence.

In May 2004, we requested that OB provide a listing of settlement agreements processed during the 30-month period January 1, 2002 through June 30, 2004. OB provided two listings: the first listing, received in September 2004, represented settlement agreements processed during calendar year 2002, and the second listing, received in July 2005, represented settlement agreements processed between January 1, 2003 through June 30, 2004. These listings contained 461 settlement agreements, of which 100 appeared to be duplicates. (Appendix A lists the 461 settlement agreements and identifies the 100 duplicates.) The following chart breaks down the 361 settlement agreements approved by OB by calendar year:



*\* Number of settlement agreements processed during first 6 months of 2004.*

As shown in the above chart, the number of settlement agreements has increased from calendar year 2002 to 2003, by 124, or 185 percent. Appendix B lists the 361 settlement agreements by agency for each calendar year.



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**FINDING NO. 1**

From the listing of 361 settlement agreements, we selected 37, totaling over \$13 million, for our review. Our selection included the two PFM settlement agreements, some settlement agreements with large dollar amounts, settlement agreements from various agencies, and some that appeared more than once on the listings. Based on our review of the 37, we determined that 27 failed to comply with the Handbook because the settlement agreements were used to pay for services outside the context of a contract. We found that 10 complied with the Handbook because valid contracts existed during the time the services were provided.

Of the 27 settlement agreements, totaling nearly \$10 million, that we considered to not comply with the Handbook, we found that they were used to pay for services provided before a contract was executed, after a contract expired, or in lieu of having a contract:

- Before Contract: 6 settlement agreements, totaling \$3,252,972, were for services provided prior to contract execution.

Agency*	Amount	Year	Description
Aging	\$ 23,051	2003	PA Coalition Against Domestic Violence provided safety and access services.
OA	275,944	2003	Microsoft provided maintenance support.
OA	74,393	2003	Ballard, Spahr, LLP provided legal services.
OB	707,183	2003	PFM provided professional and specialized services (Settlement Agreement 1).
OB	172,401	2003	PFM provided professional and specialized services (Settlement Agreement 2).
PDE	2,000,000	2003	Phila. SD administered the Education Leading to Employment and Career Training.
<b>Total</b>	<b>\$3,252,972</b>		

*\*Acronyms explained in Appendix C.*

Included in the above table are Settlement Agreement 1 and Settlement Agreement 2 that were executed to pay PFM for services provided prior to the execution of a sole source contract on September 24, 2003. According to the Secretary of the Budget, due to “an array of financial emergencies, crises and urgent problems that confronted our administration upon taking office” it was necessary to immediately retain the services of PFM. If retaining PFM was necessary, this procurement should have been handled as an emergency procurement. Therefore, OB should have requested pre-approval from DGS prior to PFM commencing work without a contract.

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**FINDING NO. 1**

- After Contract: 16 settlement agreements, totaling \$6,592,727, were executed for services provided beyond the vendors' contract expiration date.

Agency*	Amount	Year	Description
DCED	\$ 23,693	2003	Orissa Assoc. established/maintained a PA presence in the ASEAN region.
DMVA	43,656	2004	Comcast, Inc. provided cable television services for a veterans' home.
DOC	96,845	2004	Petco, Inc. performed repairs in the main kitchen at SCI Waymart.
DOT	21,280	2003	Protection Services provided for the rental of highway equipment.
DPW	1,971,517	2003	Univ. of Pittsburgh administered and operated the Child Welfare Education Program.
L&I	26,357	2003	ProTech provided training to update support roles skills.
L&I	69,996	2004	Allen Systems Group received fees for software licenses.
OA	221,164	2004	RCC Consultants provided services for Statewide Mobile Radio/Microwave System.
PDE	1,572,707	2002	IU provided training and technical assistance regarding early intervention.
PDE	563,000	2002	IU provided program responsibilities under the Cordero vs. Commonwealth Order.
PDE	645,487	2002	IU Provided educational programs and services for adjudicated delinquents.
PDE	615,669	2002	IU provided educational programs and services for adjudicated delinquents.
PGC	9,366	2003	Matson's Lab cleaned, sectioned, and aged bear teeth for an ongoing study.
PGC	9,200	2003	Dr. Tischendorf monitored juvenile bobcats for a study.
PSERS	669,519	2003	Rogge Global Partners managed a global fixed income investment portfolio.
State	33,271	2003	York Stenographic provided minute taking services for the boards and commissions.
<b>Total</b>	<b>\$6,592,727</b>		

*\*Acronyms explained in Appendix C.*

- No Contract: 5 settlement agreements, totaling \$72,998, were for services provided without a contract.

Agency*	Amount	Year	Description
DCNR	\$32,000	2002	Cleveland Bros. repaired a bulldozer.
OA, OIT	10,350	2003	New Horizons provided customized Windows 2000 training.
OB	19,264	2003	Neiman Group provided printing services for Governor's budget document.
PSP	4,200	2003	Sunshine Cleaning provided janitorial services for the Kittanning Station.
Revenue	7,184	2003	Peripherals Plus Tech. provided information technology services for Lottery website.
<b>Total</b>	<b>\$72,998</b>		

*\*Acronyms explained in Appendix C.*

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**FINDING NO. 1**

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Based on the settlement agreement information provided by OB, we did not find any purchases identified as emergency procurements that would preclude the Commonwealth from having a contract. As a result, all 27 instances should have been performed within the context of a contract rather than using settlement agreements to resolve the non-contractual obligations. This occurred because OB believes commencing services without a contract is not prohibited by the Code or the Handbook. Additionally, OB stated that procurement “in violation of any procurement laws or policies” can only be paid through a settlement agreement. In addition, other mitigating factors for using settlement agreements included agencies failing to monitor contract expiration dates, follow procurement practices, and expedite the contract process.

By failing to comply with the Handbook, an agency gives the perception of circumventing the competitive bidding process and violating the intent of the Code.

The Handbook contains the policies and procedures by which the Commonwealth is to adhere to when purchasing supplies and services. Part I, Chapter 4, Section B, of the Handbook states, in part:

1. No contract shall be implemented, nor shall any supplies, services, or construction be accepted or work begun on any contract not processed, executed, and approved in accordance with policies and procedures in [the Code] or this handbook.

\* \* \*

4. This policy is not intended to restrict an agency’s ability to react to a genuine emergency. However, each agency should establish internal procedures providing for the designation of specific individuals who are responsible for authorizing receipt of supplies or work to begin without a completely approved contract in a genuine emergency. Situations caused by agency procrastination are not considered genuine emergencies.

According to the Handbook, an emergency procurement may be made when:

1. A threat to public health, welfare, or safety exists; or
2. Circumstances outside the control of the agency create an urgency of need which does not permit the delay involved in using more formal, competitive methods.

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**SETTLEMENT AGREEMENTS  
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**FINDING NO. 1**

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Emergency procurements that exceed \$3,000 require DGS pre-approval, unless based on the nature or time of the emergency, DGS is not available, or time would not permit contact with DGS. Once DGS has given the agency authorization, the agency can authorize vendors to commence work without a contract.

Chapter 59 of the Handbook, which discusses contract controversies, states that “[a] contractor may file a claim arising from a contract. . . .” Furthermore, “If the contracting officer settles or resolves the claim, a written settlement agreement, contract amendment, or contract modification will generally be required.” There is nothing in the Handbook or the Code that authorizes the use of settlement agreements to resolve claims arising from non-contractual services.

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**RECOMMENDATION**

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We recommend that OB follow both the Code and the Handbook in its procurements. In particular, we recommend that OB discontinue the unauthorized practice of using settlement agreements after-the-fact to pay vendors that had been allowed to work without contracts, rather than simply to resolve disputes arising out of executed contracts. In those rare cases in which a genuine emergency exists, the emergency procurement process as outlined in the Code and the Handbook should be followed.

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**OFFICE OF THE BUDGET’S RESPONSE**

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OB has and continues to follow the Procurement Code and the Procurement Handbook in procuring services and supplies. OB agrees that the practice of permitting contractors to commence work without a contract is not a good business practice and should not be used. OB does not agree that the Code and Handbook mandate that settlement agreements may only be used to resolve disputes arising only from existing contracts. Despite the good intentions of all agencies, both executive and others, there are occasionally instances where an agency employee directs that work be done without realizing that the formal contract process is not complete or that a contract does not exist. In those cases, a mechanism to resolve the resultant fees or charges due to the contractor must be used and historically (for a period of time far in excess of that of this administration or even the prior administration) the settlement agreement has been the appropriate mechanism.

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**SETTLEMENT AGREEMENTS  
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**OFFICE OF THE BUDGET**

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**FINDING NO. 1**

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**OFFICE OF THE BUDGET'S RESPONSE**

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As related in Secretary Masch's January 30, 2004 response to the Auditor General's initial inquiry, the engagement of PFM was initiated in January 2003 when the Governor's Office faced a looming budget crisis of considerable proportion, along with pending issues related to property tax relief, gaming proposals, MCARE, collective bargaining, debt refundings and the financial crisis in Pittsburgh, among other matters. It was imperative that the Governor receive immediate financial advice regarding such matters and PFM was selected to deliver such advice. OB would also note, as related in the January 30 letter, that the negotiation and execution of a final contract was a complex and lengthy process that OB did embark upon as soon after engagement of PFM as was possible and did proceed diligently to complete. PFM is now, and has since September 2003, been engaged to perform work pursuant to a valid contract entered into in accordance with the provisions of the Procurement Code.

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**AUDITORS' CONCLUSION**

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We agree with OB that the practice of permitting contractors to commence work without a contract is not a good business practice. However, as stated in the finding, there is nothing in the Handbook or the Code that authorizes the use of settlement agreements to resolve claims arising from non-contractual services.

Regarding OB's response to the engagement of PFM without a contract, there was no new information provided.

Therefore, based on OB's response, the finding and recommendation remain as stated.

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**SETTLEMENT AGREEMENTS**  
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**OFFICE OF THE BUDGET**

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**FINDING NO. 2 - The Office Of The Budget Approved The Payment Of Invoices Despite PFM's Failure To Comply With Contract Billing Requirements.**

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The Contract between OB and PFM requires PFM to:

1. submit invoices monthly for retainer services;
2. submit invoices that list services performed by staff classifications, by date, by hours worked, and by rate;
3. submit invoices that contain a statement that “reads substantially as follows: The Advisor [PFM] hereby certifies that the services supplied as stated in the attached invoice have met all of the required standards set forth in the Contract for Advisory Services”; and
4. submit invoices or accompanying letters of transmittal that are signed by the Advisor and list the Advisor’s federal employer identification number.

As part of our audit, we reviewed all 23 Contract invoices, totaling \$347,350, paid through June 30, 2005. Of these, 15 were for retainer services and 8 were for services performed in conjunction with 5 Statements of Work. We found that 17, or 74%, of the 23 Contract invoices were not in compliance with Contract billing requirements and should not have been paid, for the following reasons:

- 1 invoice listed 2 months of charges for retainer services;
- 1 invoice was not signed by PFM;
- 1 invoice for partial payment against Statement of Work #5, did not itemize by staff classifications, date, hours worked, and rate. The invoice shows a description (Consulting Services) and the charge. Additionally, OB did not sign the invoice;
- 1 invoice for Statement of Work #4, did not list by date the hours worked;
- 16 invoices did not contain the required certification statement; and
- 14 invoices did not include PFM’s federal employer identification number.

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**SETTLEMENT AGREEMENTS  
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**FINDING NO. 2**

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We also examined all 16 PFM invoices for Settlement Agreements 1 and 2 and found that they contained adequate support and were in compliance with the terms of the settlement agreements. We determined that the settlement agreement amounts were based on actual work performed as represented on the invoices and supporting documentation. Additionally, invoices were subject to normal pre-audit procedures by both the Comptroller's Office and the Treasury Department.

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**RECOMMENDATION**

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We recommend that OB require PFM and other vendors to comply with the terms of contracts, including provisions regarding the submission of invoices for payment, and that OB decline to approve payments for non-compliant invoices.

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**OFFICE OF THE BUDGET'S RESPONSE**

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OB agrees that vendors should be required to comply with the contract provisions regarding the form of invoices. The PFM invoices were reviewed and approved prior to payment by each of the senior officials who were responsible for initiating work and who received the final work product. The invoices were reviewed by those officials with respect to the quality and quantity of work and for consistency with the work initially requested.

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**AUDITORS' CONCLUSION**

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Based on OB's response, the finding and recommendation remain as stated.

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**SETTLEMENT AGREEMENTS**  
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**OFFICE OF THE BUDGET**

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**FINDING NO. 3 - Due To The Lack Of A Contract And Other Documentation, It Is Unclear Whether PFM's Performance Met The Office Of The Budget's Expectations.**

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The two Settlement Agreements allowed PFM to be paid after-the-fact for services that it had provided from January 22, 2003 through September 23, 2003, during which time there was no written contract to govern the customer-vendor relationship. During that eight-month period, OB allowed PFM to provide services based on OB's verbal instructions. Therefore, we could not determine whether PFM satisfied OB's expectations, in either substance or timeliness, with regard to services performed and documents or other outputs delivered.

OB's Chief Counsel informed us that "[n]o written work statement was prepared, either by PFM or the Office of the Budget, delineating or describing the scope of services to be provided by PFM under this general engagement until the Contract was executed." In lieu of having a written work statement, key administrative personnel gave "[v]erbal direction to PFM . . . with respect to each of the areas in which PFM was engaged. . . ." However, because there was no written contract, OB should have confirmed in writing to PFM its expectations to ensure compliance by PFM.

OB provided a list of 90 deliverables, grouped by project, containing either the date of the deliverable or the date on which OB received the deliverable. To determine whether the Commonwealth received the deliverables, we selected eight to verify existence. Of these, seven were received by the Commonwealth during the period governed by the Settlement Agreements, January 22, 2003 through September 23, 2003, and one was received during the period governed by the Contract, September 24, 2003 through June 30, 2004. However, due to the lack of written documentation, we could not determine whether the seven deliverables received during the settlement agreement period were what the Commonwealth requested and whether the deliverables were received in a timely manner. OB stated, "There are no documents evidencing deliverable dates for the matters paid under the settlement agreements. All instructions were oral." The deliverable governed by the Contract was received within the established timeframe. OB told us that all deliverables for the settlement agreements and Contract were received in a timely manner.

The failure to communicate the scope of services, expected output, deadlines, and other expectations to vendors in writing may result in management's intentions not being met and additional costs being incurred.



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**SETTLEMENT AGREEMENTS  
JANUARY 1, 2002 THROUGH JUNE 30, 2005**

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**OFFICE OF THE BUDGET**

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**FINDING NO. 3**

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**RECOMMENDATION**

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We recommend that OB communicate the scope of services, expected output, deadlines, and other expectations in writing to vendors that are performing services without a contract. However, as discussed in Finding No. 1, contracts should be used in the absence of a genuine emergency, eliminating the need for this recommendation in most cases.

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**OFFICE OF THE BUDGET'S RESPONSE**

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OB agrees that documenting the scope of services, deadlines and other expectations is a good business practice whether the work is being performed pursuant to contract, an emergency procurement or the rare occasion when work is performed without a contract due to agency error.

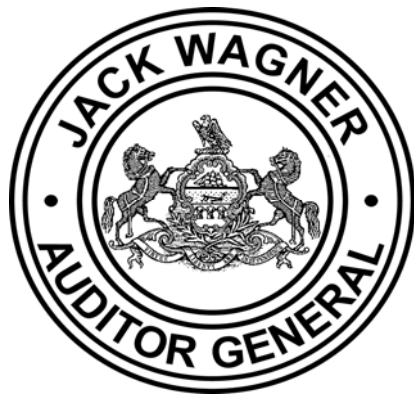
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**AUDITORS' CONCLUSION**

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Based on OB's response, the finding and recommendation remain as stated.

## **APPENDICES**



**APPENDIX A**

**Settlement Agreements  
January 1, 2002 through June 30, 2004**

<b>No.</b>	<b>File No</b>	<b>Agency</b>	<b>Vendor</b>	<b>Amount</b>
1	2002-15111	Office of Inspector General	A.T. Security Services	\$ 4,097
2	2002-1891	Health	Abbott Labs	300,000
3	2003-28237	Conservation & Natural Resources	Advanced Construction Techniques	1,500,000
4	2003-32280	State	AICPA	85,000
5	2003-31738	Education	Allegheny IU	3,850
6	2003-31738	Education	Allegheny IU	3,850
7	2003-38784	Education	Allegheny IU	
8	2003-38789	Education	Allegheny IU	
9	2004-47887	Labor & Industry	Allen Systems Group	11,182
10	2004-47879	Labor & Industry	Allen Systems Group	69,996
11	2004-46272	Health	Allentown City Bureau of Health	25,092
12	2003-29023	Military & Veterans Affairs	Alyce McCann	1,800
13	2002-13870	Aging	Alzheimer's Disease	166,667
14	2003-38791	Education	Ambridge Area SD	16,650
15	2002-16888	Conservation & Natural Resources	American Refining	39,465
16	2004-41734	Military & Veterans Affairs	American Seaboard Co	5,439
17	2003-27642	Education	Ann Gillis Waiters	25,000
18	2003-27642	Education	Ann Gillis Waiters	25,000
19	2003-25368	Transportation	Anstadt Inc	2,587
20	2003-25368	Transportation	Anstadt Inc	2,587
21	2004-39850	Transportation	Apex Environmental	36,991
22	2003-28461	Education	Appalachia IU	47,835
23	2003-28461	Education	Appalachia IU	47,835
24	2002-16309	Education	Appalachia IU	615,669
25	2003-22434	Conservation & Natural Resources	Appalachian Trail Conference	9,344
26	2003-22434	Conservation & Natural Resources	Appalachian Trail Conference	9,344
27	2004-40681	Labor & Industry	Arcadian Corp	6,100
28	2003-29343	Education	Arin IU	6,026
29	2003-29343	Education	Arin IU	6,026
30	2003-30153	Education	Arin IU	28,415
31	2003-30153	Education	Arin IU	28,415
32	2004-48657	Conservation & Natural Resources	Arnold G Doden	17,909
33	2003-37854	Transportation	Associated Electric Construction	2,198
34	2003-37854	Transportation	Associated Electric Construction	2,198
35	2003-38495	Transportation	AT&T Wireless	2,178
36	2003-38495	Transportation	AT&T Wireless	2,178
37	2002-15194	Public Welfare	Automated Health Systems	242,500
38	2003-29856	Transportation	AWK Consulting Engineers	21,431
39	2003-29868	Transportation	AWK Consulting Engineers	21,431
40	2003-30023	Transportation	AWK Consulting Engineers	21,431
41	2002-18626	Military & Veterans Affairs	B&W Inc	16,530
42	2003-37740	Administration	Ballard, Spahr, Andrews & Ingersoll	74,393
43	2004-47403	General Services	Barbara Ann Le Mon Company	4,000
44	2004-46797	Education	Berean Institute	79,330

No.	File No	Agency	Vendor	Amount
45	2003-31323	Education	Bethlehem Area SD	\$ 21,500
46	2003-31323	Education	Bethlehem Area SD	21,500
47	2003-26724	Game Commission	Better Forest Tree Seeds	4,463
48	2003-36096	General Services	Bill Moss Construction	22,840
49	2002-17861	Office of General Counsel	Blank Rome Comisky	8,480
50	2003-31407	State Police	Bloomsburg University	414
51	2003-27163	Labor & Industry	BMC Desks	6,120
52	2003-27163	Labor & Industry	BMC Desks	6,120
53	2003-31725	Game Commission	Bognet Inc	3,000
54	2003-36451	Corrections	Boswell Pharmacy Services	20,968
55	2004-46881	Historical and Museum Commission	Boyer Printing	4,364
56	2004-46799	Labor & Industry	Boyer Printing	4,775
57	2003-	Transportation	Brubaker Electric	1,680
58	2003-36494	Transportation	Brubaker Electric	1,680
59	2003-35227	Military & Veterans Affairs	Bruce and Merrilees Electric Co	5,316
60	2002-13218	Community & Economic	Buchanan Ingersoll	2,614
61	2003-23450	Office of Lieutenant Governor	C.E. White Enterprises	16,810
62	2003-23450	Office of Lieutenant Governor	C.E. White Enterprises	16,810
63	2004-41134	Transportation	Camsco Services	1,584
64	2004-41325	Administration	Capital Area Communications	17,940
65	2004-39749	Agriculture	Capital Area Transit	45,749
66	2003-28529	Transportation	Carl W. Neutzel Landscaping	3,480
67	2003-28529	Transportation	Carl W. Neutzel Landscaping	3,480
68	2004-48068	Historical and Museum Commission	Carrara Steel Erectors	2,140
69	2002-18166	State Police	Casciato Bros	3,980
70	2002-18293	Public Welfare	Center on Budget and Policy Priorities	12,688
71	2003-24229	Aging	Central Susquehanna IU	21,220
72	2003-24229	Aging	Central Susquehanna IU	21,220
73	2003-26767	Aging	Central Susquehanna IU	24,560
74	2003-26767	Aging	Central Susquehanna IU	24,560
75	2004-49897	Education	Central Susquehanna IU	68,659
76	2002-12372	Education	Central Susquehanna IU	89,481
77	2003-24678	Education	Chester Upland SD	2,000,000
78	2003-33915	Labor & Industry	Chubb Institute	34,500
79	2003-23902	Game Commission	Ciber Inc	7,843
80	2003-23902	Game Commission	Ciber Inc	7,843
81	2004-43557	Health	City of Bethlehem	14,532
82	2003-28679	Transportation	City of Harrisburg	4,343
83	2003-28679	Transportation	City of Harrisburg	4,343
84	2004-46024	Revenue	City of Harrisburg	5,404
85	2004-43123	Labor & Industry	City of Philadelphia	35,000
86	2003-25926	Community & Economic	Clear Channel Communications	4,000
87	2003-25926	Community & Economic	Clear Channel Communications	4,000
88	2003-30018	Transportation	Cleveland Brothers	8,000
89	2002-12695	Conservation & Natural Resources	Cleveland Brothers	32,000
90	2003-29861	Transportation	Clifford Cross Jr	6,675
91	2003-29861	Transportation	Clifford Cross Jr	6,675
92	2003-31330	Education	Coatesville Area SD	39,750
93	2003-31330	Education	Coatesville Area SD	39,750
94	2002-16826	Labor & Industry	College Misericordia	6,142
95	2002-10557	Education	Colonial IU	40,995

No.	File No	Agency	Vendor	Amount
96	2003-31197	Education	Columbia Borough SD	\$ 27,044
97	2003-31197	Education	Columbia Borough SD	27,044
98	2004-43851	Military & Veterans Affairs	Comcast Cable Communications	5,589
99	2004-43828	Military & Veterans Affairs	Comcast Cable Communications	43,656
100	2002-16852	Fish and Boat Commission	Computer Aid Inc	4,448
101	2002-15050	Public Welfare	Concera Corp	168,025
102	2004-47260	Labor & Industry	Corestaff, Inc	8,126
103	2003-26137	Transportation	CSX Transportation	188,419
104	2002-8287	Corrections	Cyntex Corp	2,975
105	2003-36984	Office of Inspector General	D&E Networks	9,574
106	2003-36984	Office of Inspector General	D&E Networks	9,574
107	2003-27043	Education	Daniel B Swartz	5,169
108	2003-31319	Education	Daniel Boone Area SD	37,075
109	2003-31319	Education	Daniel Boone Area SD	37,075
110	2004-47874	Education	Data Recognition Corp	96,329
111	2004-46014	Revenue	David Patt	4,796
112	2002-10470	Community & Economic	DBA Inc	25,721
113	2003-37856	Transportation	Delaware Valley Milling	4,875
114	2003-37856	Transportation	Delaware Valley Milling	4,875
115	2004-47396	Securities Commission	Dell Marketing Corp	12,218
116	2004-40075	Military & Veterans Affairs	Daisy Mae	28,210
117	2004-41563	Labor & Industry	Diaz Data Services	24,312
118	2004-41996	Transportation	Dmjm Harris	8,284
119	2002-12684	Fish and Boat Commission	Donald A. Zielinski	4,897
120	2004-41117	Labor & Industry	Douglas P Shiller, Ph.D	2,821
121	2003-37633	Game Commission	Dr. Jay W Tischendorf	9,200
122	2002-12844	Corrections	Dr. John McWilliams	10,710
123	2003-24628	Education	Dr. Nick Staresinic	8,241
124	2003-24628	Education	Dr. Nick Staresinic	8,241
125	2003-24631	Education	Dr. Thomas Persing	16,077
126	2003-24631	Education	Dr. Thomas Persing	16,077
127	2003-30656	Revenue	E.D.Givler and Sons	4,885
128	2003-23734	Health	Eastern Telephone and Telecom	27,224
129	2003-23734	Health	Eastern Telephone and Telecom	27,224
130	2004-47242	Education	Eastern University	63,004
131	2003-31344	Education	Easton Area SD	35,655
132	2003-31344	Education	Easton Area SD	35,655
133	2004-43799	Transportation	Ecommunications Systems	212
134	2003-33535	Banking	Education Foundation of State Bank	4,550
135	2004-40970	Labor & Industry	Edward Jonas, Ph.D	5,265
136	2004-48164	Transportation	Edwards and Kelcey Inc	18,930
137	2003-24243	Public Welfare	Electronic Data Systems	301,254
138	2003-24243	Public Welfare	Electronic Data Systems	301,254
139	2002-20903	Education	Elwyn Inc	1,418,030
140	2003-27150	Labor & Industry	Employment Opportunity & Training	9,000
141	2003-27150	Labor & Industry	Employment Opportunity & Training	9,000
142	2003-30455	Community & Economic	Entech Engineering	995
143	2003-30455	Community & Economic	Entech Engineering	995
144	2003-24930	Military & Veterans Affairs	Environmental Controls and Services	15,871
145	2004-41649	Health	Erie County Health	19,055
146	2004-46273	Health	Erie County Health	41,230

No.	File No	Agency	Vendor	Amount
147	2003-38972	Transportation	Estate of Christine Handwerk	\$ 25,156
148	2003-31340	Education	Everett Area SD	24,394
149	2003-31340	Education	Everett Area SD	24,394
150	2003-28114	Community & Economic	Executive Coach	6,925
151	2003-28114	Community & Economic	Executive Coach	6,925
152	2003-38488	Transportation	Faust Hauling	5,037
153	2003-37594	Transportation	Fidler Brothers Construction	2,585
154	2003-38198	Transportation	Fidler Brothers Construction	4,843
155	2004-40768	General Services	Fifth Street Assoc	93,447
156	2004-49532	Administration	Fire EMS Frequency Coordination	4,800
157	2003-29863	Transportation	GAI Consultants	39,933
158	2003-26082	Insurance	Gallagher Rowan Egbert	36,787
159	2002-8322	Corrections	Gambit Interactive	2,179
160	2004-49186	Transportation	Gannett Fleming	5,500
161	2002-8115	Environmental Protection	General Sound Telephone Co	7,714
162	2004-39333	Labor & Industry	Geographics Solutions	9,847
163	2003-29583	Agriculture	HACC	7,000
164	2002-20834	Environmental Protection	Halifax Corp	4,145
165	2002-20535	Labor & Industry	Hanover Public SD	13,522
166	2003-36767	Education	Harcourt Educational Measurement	562,102
167	2003-34738	Banking	Harrisburg East Holiday Inn	4,083
168	2003-29286	Public Utility Commission	Harrisburg East Holiday Inn	4,704
169	2002-12218	Aging	Harrisburg East Holiday Inn	7,115
170	2003-27645	Education	Harrisburg Hotel Corp	2,953
171	2003-27645	Education	Harrisburg Hotel Corp	2,953
172	2003-32551	Labor & Industry	Harrisburg Hotel Corp	6,000
173	2003-32555	Labor & Industry	Harrisburg Hotel Corp	6,000
174	2003-32555	Labor & Industry	Harrisburg Hotel Corp	6,000
175	2002-17058	Education	Harrisburg SD	375,000
176	2003-34728	Banking	Harrisburg-Hershey Marriott	3,611
177	2003-30157	Education	Hazleton Area SD	10,801
178	2003-30157	Education	Hazleton Area SD	10,801
179	2003-24934	Transportation	Highway Equipment and Supply	23,781
180	2003-23507	Labor & Industry	Hourigan Kluger & Quinn	8,281
181	2003-23507	Labor & Industry	Hourigan Kluger & Quinn	8,281
182	2003-26401	Probation & Parole	Human Performance Systems	10,252
183	2003-26401	Probation & Parole	Human Performance Systems	10,252
184	2004-46800	Labor & Industry	IBM Corp	60,000
185	2004-43880	Fish and Boat Commission	Inacom Corp	2,585
186	2004-49526	Milk Marketing Board	Info-Matrix Corp	22,892
187	2004-47389	Revenue	Information Services Group	39,501
188	2004-46219	Labor & Industry	Information Systems Corp	19,730
189	2003-26351	Labor & Industry	IntelliMark Inc	6,375
190	2003-26351	Labor & Industry	IntelliMark Inc	6,375
191	2002-	General Services	Interboro Packaging Corp	500
192	2003-28829	General Services	Interboro Packaging Corp	500
193	2004-39925	Transportation	International Mill Services	15,812
194	2004-46016	Revenue	International Tour de Toona	5,000
195	2003-22382	Transportation	Investment & Enterprise	11,160
196	2004-42637	PSERS	Iron Mountain National Underground	4,465
197	2004-42856	Education	IU # 1	14,385

No.	File No	Agency	Vendor	Amount
198	2003-38197	Transportation	Jay R Hurst Builder	\$ 8,558
199	2003-29931	Historical and Museum Commission	JC Heating	4,244
200	2003-24744	Public Welfare	Jeanette Painting Contractors	14,295
201	2003-38790	Community & Economic	Jiri Zednicek	7,571
202	2003-38790	Community & Economic	Jiri Zednicek	
203	2003-29020	Military & Veterans Affairs	John T. McCann	2,550
204	2004-47405	Transportation	Johnson, Miriman & Thompson	15,325
205	2004-47888	Education	Joseph Kenna	3,307
206	2002-20323	Environmental Protection	JRT Calibration Services	3,178
207	2003-38794	Conservation & Natural Resources	JW Transport	3,460
208	2003-26139	State Police	Kane Security Systems	6,430
209	2004-47454	Transportation	KCI Technologies	204,672
210	2002-21165	Community & Economic	Keefer Wood Allen and Rahal	16,002
211	2004-47872	Education	Kevin Osborne	61
212	2003-36138	Liquor Control Board	Kevin's Wholesale Co	8,398
213	2004-47871	Education	King, Spry, Herman, Freund & Faul	120
214	2004-47895	Education	Kings College	142,061
215	2004-47431	Office of General Counsel	Kroll Associates	139,991
216	2002-21098	Community & Economic	Kun-Suk Yang	9,932
217	2003-31405	State Police	Lafayette College	1,525
218	2004-47870	Public Welfare	Lancaster Employment and Training	10,596
219	2004-41889	Education	Lancaster Lebanon IU	11,600
220	2002-12826	Education	Lancaster Lebanon IU	14,000
221	2002-16748	Education	Lancaster Lebanon IU	563,000
222	2004-47237	Education	Laroche College	78,242
223	2002-20795	PSERS	LaSalle Investment Management	132,323
224	2004-47235	Education	Learning Sciences International	750,000
225	2003-37593	Transportation	Lehigh Valley Site Contractors	569
226	2004-50137	Labor & Industry	Levi, Ray & Shoup, Inc	25,746
227	2004-45920	Office of Inspector General	Lexis Nexis	9,326
228	2003-30155	Education	Lincoln IU	8,779
229	2003-30155	Education	Lincoln IU	8,779
230	2002-19411	Labor & Industry	Logisys	97,250
231	2003-38788	Education	Luzerne IU	
232	2003-26344	Revenue	Lynn D. Stelle	17,391
233	2003-29788	Corrections	MacDonald, Illig, Jones & Britton	58,778
234	2004-46292	Historical and Museum Commission	Mast Electric	3,595
235	2003-28531	PEMA	Mastroserio's Inn	1,100
236	2003-35575	Game Commission	Matson's Laboratory	9,366
237	2003-38489	Transportation	McKean County Solid Waste	354
238	2003-38489	Transportation	McKean County Solid Waste	354
239	2003-38002	Corrections	Michael Olsheski	153,000
240	2003-26086	Administration	Microsoft Corp	14,308
241	2003-26086	Administration	Microsoft Corp	14,308
242	2003-26087	Administration	Microsoft Corp	149,143
243	2003-26087	Administration	Microsoft Corp	149,143
244	2003-30655	Administration	Microsoft Corp	275,944
245	2003-30655	Administration	Microsoft Corp	275,944
246	2004-43923	Labor & Industry	Microsystems Technology	17,905
247	2002-13820	Education	Mid-Atlantic Networking	8,920
248	2003-31320	Education	Millcreek Township SD	29,013



No.	File No	Agency	Vendor	Amount
249	2003-31320	Education	Millcreek Township SD	\$ 29,013
250	2002-19917	Labor & Industry	Miller Bros Construction	5,065
251	2004-46274	Health	Montgomery County Health Dept	33,161
252	2003-30165	Education	Montgomery County IU	14,587
253	2003-30165	Education	Montgomery County IU	14,587
254	2004-46798	Education	Moore College of Art and Design	61,948
255	2003-29590	Office of Budget	Neiman Group	19,264
256	2003-38799	Revenue	Ness Services	3,273
257	2004-45925	State	Netcomm Solutions	28,034
258	2004-45926	State	Netcomm Solutions	28,034
259	2003-25859	Historical and Museum Commission	New Horizon	7,500
260	2003-26080	Administration	New Horizon	10,350
261	2003-26081	Administration	New Horizon	10,350
262	2003-26081	Administration	New Horizon	10,350
263	2003-26081	Administration	New Horizon	10,350
264	2003-26350	Labor & Industry	New Horizon	34,500
265	2003-26350	Labor & Industry	New Horizon	34,500
266	2003-31353	Education	New Kensington-Arnold SD	39,573
267	2003-31353	Education	New Kensington-Arnold SD	39,573
268	2003-35576	Transportation	Nittany Oil Co	608
269	2004-47889	Labor & Industry	Nitty Gritty Services	5,463
270	2002-21097	Community & Economic	Nobuyuki Sakamoto	19,300
271	2003-33907	Conservation & Natural Resources	North Industrial Chemicals	4,561
272	2004-39828	Education	Northeast Charter School	17,991
273	2003-38787	Labor & Industry	Northwest PA Training	15,092
274	2003-38787	Labor & Industry	Northwest PA Training	15,092
275	2003-25286	Game Commission	Oakes & McClelland	1,676
276	2004-49629	Transportation	Oce USA, Inc	1,312
277	2004-45572	State Police	Omni William Penn Hotel	4,739
278	2003-29348	Community & Economic	Orissa Assoc	23,693
279	2003-29348	Community & Economic	Orissa Assoc	23,693
280	2003-34087	Labor & Industry	Overhead Door Co	8,593
281	2003-24933	Aging	PA Coalition Against Domestic Violence	23,051
282	2003-23738	Aging	PA Hall of Fame Champions	2,624
283	2003-32958	Health	PA Homecare Assoc	5,400
284	2002-13822	Education	PA Industries for the Blind	4,557
285	2003-37576	Historical and Museum Commission	PA Industries for the Blind	7,683
286	2002-17399	Education	PA Industries for the Blind	30,092
287	2003-21917	Transportation	PA Industries for the Blind	497,501
288	2004-46114	Transportation	PA Logo Signing Trust	47,331
289	2004-46804	Environmental Protection	PA State University	3,956
290	2003-22555	Office of General Counsel	PA State University	20,000
291	2002-17925	Aging	PA State University	49,806
292	2004-48273	Administration	PA State University	84,850
293	2004-45647	Education	PAInet	64,000
294	2002-19110	Conservation & Natural Resources	Palmer Construction Co	9,610
295	2002-	Corrections	Palmer Products Co	6,400
296	2003-31724	Corrections	Palmer Products Co	6,400
297	2003-29862	Transportation	Patton Boggs	408
298	2003-29862	Transportation	Patton Boggs	408
299	2002-12089	Game Commission	Penn Detroit Diesel Allison	3,481

No.	File No	Agency	Vendor	Amount
300	2003-38012	Revenue	Peripherals Plus Tech	\$ 7,184
301	2003-25930	Labor & Industry	Peripherals Plus Tech	9,600
302	2003-25930	Labor & Industry	Peripherals Plus Tech	9,600
303	2004-43091	Office of General Counsel	Perkins Cole	35,150
304	2004-47266	Labor & Industry	Persoma PC	7,995
305	2004-41245	Corrections	PETCO	96,845
306	2004-41153	Public Welfare	Petroleum Traders Corp	75,286
307	2003-27293	Administration	PFM	
308	2003-35319	Administration	PFM	
309	2003-37097	Public Welfare	Philadelphia Opportunities Industrial	63,655
310	2002-15092	Transportation	Philip Levin Co	572,915
311	2004-39312	Office of Inspector General	Pittsburgh Communications	4,870
312	2004-48045	Education	PNC Bank	30,000
313	2003-33891	Conservation & Natural Resources	Porter Consultants	6,666
314	2003-33913	Historical and Museum Commission	Power Cool Inc	6,500
315	2002-19252	Liquor Control Board	Precision Electrical Contractors	9,241
316	2003-29864	Transportation	Presnell Associates	238,854
317	2003-29864	Transportation	Presnell Associates	238,854
318	2003-24937	Transportation	ProTech Services	3,500
319	2003-27134	Labor & Industry	ProTech Services	26,357
320	2003-27134	Labor & Industry	ProTech Services	26,357
321	2003-37895	Transportation	Protection Services	2,418
322	2003-37895	Transportation	Protection Services	2,418
323	2003-37896	Transportation	Protection Services	2,418
324	2004-40302	Transportation	Protection Services	3,660
325	2003-38486	Transportation	Protection Services	5,813
326	2003-38486	Transportation	Protection Services	5,813
327	2003-37910	Transportation	Protection Services	10,846
328	2003-37910	Transportation	Protection Services	10,846
329	2003-38795	Transportation	Protection Services	21,280
330	2003-21924	PSERS	Prudential Insurance Co	58,104
331	2003-21924	PSERS	Prudential Insurance Co	58,104
332	2003-23736	Aging	Purpose Media Assoc	819
333	2003-23736	Aging	Purpose Media Assoc	819
334	2002-17862	Commission on Women	Radio PA Networks	7,500
335	2003-27146	Education	Radisson Penn Harris Hotel	8,423
336	2003-27146	Education	Radisson Penn Harris Hotel	8,423
337	2002-13479	Historical and Museum Commission	Ray Burial Vault Co	3,193
338	2004-43089	Administration	Rcc Consultants	221,164
339	2003-31338	Education	Reading SD	35,600
340	2003-31338	Education	Reading SD	35,600
341	2003-27998	PSERS	REEF America	295,580
342	2003-27998	PSERS	REEF America	295,580
343	2002-12842	Labor & Industry	Republic Development Corp	454,000
344	2003-37453	Conservation & Natural Resources	Richard Harlow	77,000
345	2002-21099	Community & Economic	Richard Kilner	7,842
346	2003-29345	Education	Riverview IU	8,939
347	2003-29345	Education	Riverview IU	8,939
348	2003-37124	State Police	Robert J Donahue, Esq.	13,185
349	2004-40711	Game Commission	Robert J Stanzola	4,000
350	2003-29825	PSERS	Rogge Global Partners	669,519

No.	File No	Agency	Vendor	Amount
351	2003-29825	PSERS	Rogge Global Partners	\$ 669,519
352	2004-46115	Transportation	Sai Consulting Engineering	5,109
353	2003-28217	Public Welfare	Saint Benedict Education Center	148,129
354	2003-28217	Public Welfare	Saint Benedict Education Center	148,129
355	2004-41118	Labor & Industry	Sanford Golin, Ph.D	8,017
356	2004-46690	Agriculture	Schindler Elevator Corp	8,749
357	2002-21014	General Services	Science Consulting Corp	74,602
358	2002-20539	Labor & Industry	Scotlandyard Security Services	4,421
359	2003-31345	Education	SD of Lancaster	29,121
360	2003-31345	Education	SD of Lancaster	29,121
361	2003-31199	Education	SD of Philadelphia	2,000,000
362	2003-31199	Education	SD of Philadelphia	2,000,000
363	2003-31334	Education	SD of the City of Scranton	39,710
364	2003-31334	Education	SD of the City of Scranton	39,710
365	2004-39454	Labor & Industry	Serena Software	14,559
366	2003-29252	Public Welfare	ServiceMaster of Greater Harrisburg	17,983
367	2003-29252	Public Welfare	ServiceMaster of Greater Harrisburg	17,983
368	2003-38802	Transportation	Sew What Custom Embroidery	4,196
369	2003-38803	Transportation	Sew What Custom Embroidery	4,196
370	2002-18083	Environmental Protection	Skalar Inc	7,535
371	2002-17449	Labor & Industry	Skilled Workforce	60,000
372	2003-29867	Transportation	Sonny's Patching	2,321
373	2003-29867	Transportation	Sonny's Patching	2,321
374	2003-22381	Transportation	Spako Tree Service	24,000
375	2003-22381	Transportation	Spako Tree Service	24,000
376	2003-30169	Public Welfare	Sprint	10,955
377	2003-30169	Public Welfare	Sprint	10,955
378	2003-22016	Labor & Industry	STEP	22,994
379	2003-22016	Labor & Industry	STEP	22,994
380	2003-35117	Labor & Industry	STEP	23,539
381	2003-35117	Labor & Industry	STEP	23,539
382	2002-16373	Labor & Industry	STEP	43,253
383	2002-21100	Community & Economic	Steven Zou	2,987
384	2003-33912	Insurance	Stevens & Lee	10,493
385	2004-49659	Health	Strategic Health Concepts	6,333
386	2003-29063	Civil Service Commission	Strawberry Square Assoc	6,765
387	2004-42635	General Services	STV, Inc	222,897
388	2003-38974	State Police	Sunshine Cleaning	4,200
389	2004-48799	Education	Susquehanna University	40,000
390	2003-22717	Insurance	Sybase inc	9,897
391	2003-28530	Transportation	T&J Brushing	9,116
392	2003-28530	Transportation	T&J Brushing	9,116
393	2003-35878	Aging	Temple University	56,413
394	2003-32962	Aging	Temple University	89,949
395	2004-48640	Education	Thaddeus Stevens College	125,681
396	2003-32622	Conservation & Natural Resources	The Nittany Lion Inn	7,375
397	2003-31069	Administration	The Team Approach	3,900
398	2003-37744	Labor & Industry	Think Like A King Univ	3,570
399	2003-37744	Labor & Industry	Think Like A King Univ	3,570
400	2004-40679	Labor & Industry	Think Like A King Univ	3,570
401	2002-18189	Office of General Counsel	Thomas W. Tobias	22,000

No.	File No	Agency	Vendor	Amount
402	2003-28884	Corrections	Thorp, Reed & Armstrong	\$ 6,442
403	2003-31325	Education	Titusville Area SD	37,600
404	2003-31325	Education	Titusville Area SD	37,660
405	2003-31028	Revenue	Today's Systems	7,465
406	2002-13068	Military & Veterans Affairs	Total Office Solutions	4,905
407	2004-39451	Labor & Industry	Transport Tech of Butler	9,828
408	2003-29414	Community & Economic	Trustees of Univ of Penn	12,622
409	2004-40852	Public Welfare	Tuscarora IU	100,000
410	2002-16308	Education	Tuscarora IU	645,487
411	2002-12007	Education	Tuscarora IU	1,572,707
412	2003-26346	PSERS	UBS Realty Investors	3,326
413	2003-26346	PSERS	UBS Realty Investors	3,326
414	2002-20523	Labor & Industry	Unisys Corp	4,280
415	2004-48166	Transportation	United Rentals Highway Tech	2,706
416	2003-31406	State Police	Univ of Pittsburgh	6,908
417	2003-37320	Conservation & Natural Resources	Univ of Pittsburgh	12,199
418	2003-	Health	Univ of Pittsburgh	15,992
419	2003-35777	Health	Univ of Pittsburgh	15,992
420	2003-22693	Education	Univ of Pittsburgh	422,918
421	2003-22693	Education	Univ of Pittsburgh	422,918
422	2003-27793	Public Welfare	Univ of Pittsburgh	1,971,517
423	2003-27793	Public Welfare	Univ of Pittsburgh	1,971,517
424	2004-48044	Education	University of the Arts	128,681
425	2004-47263	Education	University of the Sciences of Phila	46,000
426	2003-21915	Transportation	Urban Engineers	95,481
427	2003-22175	Game Commission	Utilities Forestry Services	8,428
428	2003-22175	Game Commission	Utilities Forestry Services	8,428
429	2003-25142	Revenue	Vallevents	4,000
430	2003-25142	Revenue	Vallevents	4,000
431	2002-12846	Fish and Boat Commission	Veitch Printing Corp	4,582
432	2002-18471	Liquor Control Board	Veritas Software Global	16,810
433	2002-12843	Labor & Industry	Victor C. Aiello	235,000
434	2004-48043	Education	Villanova University	85,416
435	2004-49630	Transportation	Vogel Disposal Service	280
436	2003-22019	Community & Economic	Wachovia Bank	13,635
437	2003-22019	Community & Economic	Wachovia Bank	13,635
438	2003-30045	Corrections	Wacor Electronic Systems	5,561
439	2003-31343	Education	Washington SD	38,600
440	2003-31343	Education	Washington SD	38,600
441	2003-37596	Transportation	Waste Management	136
442	2004-48634	Labor & Industry	Weaver Investigations	8,479
443	2003-35792	Administration	Weidenhammer Systems Corp	22,632
444	2002-20282	Game Commission	West Group	399
445	2002-17927	Aging	West Group	3,270
446	2003-33304	Corrections	West Group	7,898
447	2004-43771	Education	Westat	28,168
448	2002-12601	Game Commission	Westsylvania Corp	5,000
449	2002-16849	Environmental Protection	Wetland and Coastal Res	6,454
450	2003-22958	Insurance	White and Williams	125,142
451	2003-38490	Administration	Wickey's Group	3,950
452	2003-37167	State Police	William F Manifesto	8,033

No.	File No	Agency	Vendor	Amount
453	2003-23318	Military & Veterans Affairs	William S. Jackson	\$ 5,363
454	2003-38786	Education	Williamsport Area SD	9,990
455	2003-33914	Education	Winsor Learning	486,500
456	2003-33517	Labor & Industry	Xerox Corp	61,065
457	2003-31798	Liquor Control Board	XTL	
458	2004-41004	Administration	Yahoo Resumix	34,425
459	2004-43453	Labor & Industry	York Stenographic Services	28,518
460	2003-27750	State	York Stenographic Services	33,271
461	2003-27750	State	York Stenographic Services	33,271
Total				\$27,283,838

*The 100 duplicates (shaded), totaling \$7,820,490, were excluded in the total amount.*

**APPENDIX B**

**Agency Settlement Agreements by Year**

Agency	Calendar Year 2002		Calendar Year 2003		January 1, 2004 through June 30, 2004	
	Number of Settlement Agreements	Amount of Settlement Agreements	Number of Settlement Agreements	Amount of Settlement Agreements	Number of Settlement Agreements	Amount of Settlement Agreements
Administration		\$	10	\$ 554,620	5	\$ 363,179
Aging	4	226,858	7	218,636		
Agriculture			1	7,000	2	54,498
Banking			3	12,244		
Civil Service			1	6,765		
Commission on Women	1	7,500				
Community & Economic	7	84,398	7	69,441		
Conservation & Natural Resources	3	81,075	8	1,620,605	1	17,909
Corrections	3	15,864	7	259,047	1	96,845
Education	12	5,377,938	37	6,127,890	22	1,934,983
Environmental Protection	5	29,026			1	3,956
Fish and Boat Commission	3	13,927			1	2,585
Game Commission	3	8,880	7	43,976	1	4,000
General Services	1	74,602	2	23,340	3	320,344
Governor's Office						
Health	1	300,000	3	48,616	6	139,403
Historical & Museum	1	3,193	4	25,927	3	10,099
Insurance			4	182,319		
Labor & Industry	10	922,933	14	272,016	22	387,234
Lieutenant Governor's Office			1	16,810		
Liquor Control Board	2	26,051	2	8,398		
Military & Veterans Affairs	2	21,435	5	30,900	4	82,894
Milk Marketing Board					1	22,892
Office of Budget			1	19,264		
Office of General Counsel	2	30,480	1	20,000	2	175,141
Office of Inspector General	1	4,097	1	9,574	2	14,196
PEMA			1	1,100		
Probation & Parole			1	10,252		
PSERS	1	132,323	4	1,026,529	1	4,465
Public Utilities Commission			1	4,704		
Public Welfare	3	423,213	7	2,527,788	3	185,882
Revenue			6	44,198	4	54,701
Securities Commission					1	12,218
State			2	118,271	1	28,034
State Police	1	3,980	7	40,695	1	4,739
Transportation	1	572,915	36	1,284,320	15	367,708
<b>Total</b>	<b>67</b>	<b>\$ 8,360,688</b>	<b>191</b>	<b>\$ 14,635,245</b>	<b>103</b>	<b>\$ 4,287,905</b>
<b>Total, January 1, 2002 – June 30, 2004</b>						<b>\$ 27,283,838</b>



## APPENDIX C

### Acronyms

ASEAN	Association of Southeast Asian Nations
DCED	Department of Economic Development
DCNR	Department of Conservation and Natural Resources
DMVA	Department of Military and Veterans Affairs
DOC	Department of Corrections
DOT	Department of Transportation
DPW	Department of Public Welfare
IU	Intermediate Unit
L&I	Labor and Industry
OA	Office of Administration
OB	Office of the Budget
OIT	Office for Information Technology
PDE	Pennsylvania Department of Education
PFM	Public Financial Management
PGC	Pennsylvania Game Commission
PSERS	Pennsylvania School Employees' Retirement System
PSP	Pennsylvania State Police
SCI	State Correctional Institution
SD	School District





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**JANUARY 1, 2002 THROUGH JUNE 30, 2005**  
**OFFICE OF THE BUDGET**  
**DISTRIBUTION LIST**

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Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

Mr. Philip R. Durgin, Executive Director  
Legislative Budget and Finance Committee  
400 Finance Building  
Harrisburg, PA 17120

The Honorable Gibson E. Armstrong  
Chair  
Senate Appropriations Committee  
281 Main Capitol Building  
Harrisburg, PA 17120

The Honorable Roger A. Madigan  
Chair  
Joint State Government Commission  
108 Finance Building  
Harrisburg, PA 17120

The Honorable Vincent J. Fumo  
Democratic Chair  
Senate Appropriations Committee  
545 Main Capitol Building  
Harrisburg, PA 17120

The Honorable Donald L. Patterson  
Inspector General  
Executive House  
101 South Second Street, 3rd Floor  
Harrisburg, PA 17101

The Honorable Dwight Evans  
Chair  
House Appropriations Committee  
512-E, Main Capitol Building  
Harrisburg, PA 17120

Ms. Sharon Anderson (4)  
State Library of Pennsylvania  
Serials Records Section  
218 Forum Building  
Harrisburg, PA 17120

The Honorable Mario Civera  
Republican Chair  
House Appropriations Committee  
245 Main Capitol Building  
Harrisburg, PA 17120

The Honorable Joseph Martz (3)  
Secretary of Administration  
Governor's Office  
207 Finance Building  
Harrisburg, PA 17120

The Honorable Robert M. Tomlinson  
Chair  
Senate Consumer Protection and  
Professional Licensure Committee  
362 Main Capitol Building  
Harrisburg, PA 17120

The Honorable Michael J. Masch (3)  
Secretary of the Budget  
Governor's Office  
238 Capitol Building  
Harrisburg, PA 17120

The Honorable Mark B. Cohen  
C/O Leon Czikowsky  
House of Representatives  
417 Main Capitol Building  
Harrisburg, PA 17120

Mr. John J. Smolock (2)  
Comptroller  
Governor's Office  
11th Floor, Strawberry Square  
Harrisburg, PA 17128

The Honorable Thomas W. Corbett, Jr.  
Attorney General  
Strawberry Square  
Harrisburg, PA 17120

State Treasurer (2)  
129 Finance Building  
Harrisburg, PA 17120

The Honorable Jeffrey Piccola  
Senate of Pennsylvania  
173 Main Capitol Building  
Harrisburg, PA 17120

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