

January 16, 1992
ILR 92-A

Speaker H. Craig Moody
House of Representatives
State Capitol Building
Salt Lake City, Utah 84114

Subject: **Committee of Consumer Services' Public Relations Expenditures**

Dear Speaker Moody:

As you requested, we reviewed the Committee of Consumer Services expenditures and proposals for public relations. We found the proposal last April from Gardiner and Associates, to spend \$39,000 on public relations was rejected by the committee. However, between 1985-91 the committee did spend over \$140,000 on contracts with one contractor to do public awareness, energy assistance, and speech/hearing impaired programs. We were unable to determine the amount of the payments that went toward public relations. These contracts were paid out of professional and technical funds (P&T budget), which were intended to be used to pay for expert witnesses and technical consultants on utility rate cases.

In 1989 the new Department of Commerce executive director objected to the procedure of paying for public relations and other consulting contracts out of the P&T budget, and brought this to the attention of legislators. The committee has since discontinued this practice and the consulting contracts have been terminated. However, there may be a need in the future for more detailed policies on the use and restrictions of the P&T budget.

Gardiner Proposal Was Rejected

The public relations proposal from Hal Gardiner and Associates was rejected by the committee. This proposal was considered as an alternative to the previous public relations contracts. Gardiner and Associates had done some public relations work for the department in the past. When the committee asked about issuing an RFP for such services, the executive director suggested they ask Gardiner for a proposal since Gardiner was already under contract with the department. The proposal was made directly to the committee, without consideration by the department. The committee considered their proposal, but felt some of the suggestions were too lavish and costly. For example, one suggestion was to schedule a one day conference for up to 150 consumers, including meals, workshops, speakers, supplies, etc. at a cost of over \$12,000. Another idea required over \$3,000 for cash awards and gifts for consumer service. The

committee felt that expenditures for such activities went against their objectives, and benefits to the consumers were questionable.

One idea from the proposal was adopted however. The committee decided to design, print, and distribute 10,000 informational brochures. The department helped with the design and printing of the brochure and the committee members distribute them on their own through local community offices and banks. The total cost for this activity was about \$1,200. It was paid for out of savings generated in the committee's regular operating budget.

Other Proposals Were Contracted

Between 1985-91, the committee spent \$140,260 on contracts to one contractor for public relations, energy assistance, and speech/hearing impaired programs. These programs were combined under the same contract and it is hard to determine how much of the payments went to public relations. The first contract was awarded in 1985 after our audit recommended the committee develop a public information and consumer input program. The initial contract was reviewed and approved by the committee and the previous department administration. Over a period of five years, the committee granted several addendums and awarded several new contracts to the consultant. All of the contracts were bid appropriately, and approved by the committee and previous department.

In our previous audit, we did not specify how the committee should implement the recommendation to increase public awareness. The committee chose to contract a public relations consultant. In our 1986 audit follow-up, and our sunset review of 1988, we found nothing unusual with the consulting contracts, and we reported the committee had implemented our recommendations. The contracts were awarded to the lowest or the most qualified bidder, and the payments seemed reasonable for the work that was being done. The committee was happy with the efforts of the public relations consultant, and other consumer advocate groups felt that public awareness had increased with the efforts of the consultant.

Contracts Were Funded From Consulting Budget

One point of concern was raised in 1989 by the new department executive director. He found the public relations contracts, and some legal consulting fees were paid out of the P&T budget. Two contractors appeared to be working as employees for the benefit of the committee. One contractor worked on public relations, energy assistance, and speech/hearing impaired programs, and the other contractor did legal consulting for the committee. The committee provided office space for the contractors with desks and phones. Their employment appeared to be more like committee staff positions rather than independent contractors. The department director felt their pay should come from the administrative budget. After consulting with the Attorney General's office, it was determined that paying for these services out of the P&T budget was questionable. The contracts were more clearly defined, separated, and reissued. The public relations contractual obligations were terminated. Since then, the committee's public relations activities have dropped off considerably, and no other contracts have been issued.

Policy Is Needed For Professional & Technical Budget

Page 3
Speaker Craig H. Moody
January 16, 1992

The committee may need additional policies and procedures to clarify the intention and use of the P&T budget. In addition to the public relations contracts, other contracts and expenses were paid out of the P&T budget. For example, contracts for energy assistance and hearing impaired programs, contracts for some legal consultation, and other miscellaneous expenses were also paid out of this budget. These payments may not have been appropriate, yet they were made with the knowledge and approval of the former department executive director. This problem appears to be resolved for the time being. The committee is not currently using the P&T budget for anything except consulting for utility rate cases, and directly related expenses such as photocopying, telephone calls, postage, and miscellaneous office expenses. In order to clear up any confusion for use of the P&T funds in the future, the committee and the department should set some definitive policies to determine once and for all what the P&T budget may or may not be used for.

Some means of public awareness and consumer information may still be needed. However, some measurement criteria is necessary to determine the effectiveness of any future programs. We believe the department and committee must decide which alternatives are appropriate. If the legislature feels their approach is a worthwhile, it should be funded by a separate program in the administrative budget.

We hope this letter provides you with some information that will be helpful to you. We recognize the survey work has been done quickly and without complete resolution. If you have any questions or need additional information, please let us know.

Sincerely,

Wayne L. Welsh
Auditor General

WLW:PAH/lm