



# **Presentation to the Transition Legislative Oversight Committee about Contracting and Procurement & the Implementation of S.B. 20**

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# Contracting Overview

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- HHSC completed the consolidation of procurement services on October 1, 2015
- The HHS Procurement and Contracting Services (PCS) makes administrative and client service purchases for all of the HHS agencies
- PCS is working to identify contracting solutions that meet our unique needs and to implement statutory and budgetary contracting requirements that went into effect following the 84<sup>th</sup> Legislative Session

# Sunset Contracting Recommendations for HHSC

<p>Rec. 1.2</p>	<p>Directs the executive commissioner to report how the reorganized structure emphasizes information technology and contracting so that these functions receive ongoing high-level attention to help ensure their proper performance.</p>	<p><b>Complete</b></p>
<p>Rec. 2.3</p>	<p>Requires HHSC to better define and strengthen its role in enrollment contracts and strengthening monitoring of contracts at HHSC.</p>	<p><b>Complete</b></p>
<p>Rec. 2.4</p>	<p>Directs HHSC's procurement and contract office to improve assistance to and communications with system agencies.</p>	<p><b>Complete</b></p>
<p>Rec. 2.5</p>	<p>Directs HHSC to develop ways to apply focused, high-level attention to system contracting.</p>	<p><b>Complete</b></p>

# Sunset Contracting Recommendations for DADS

Rec 5.1	Directs DADS to strengthen and consolidate contract management under a new Contract Management Division.	<b>In Progress at HHSC</b>
Rec 5.2	Directs the Contract Management Division to review and approve contract planning during the early stages of procurement.	<b>In Progress at HHSC</b>
Rec 5.3	Directs the Contract Management Division to develop policies for risk-based monitoring of contracts.	<b>In Progress at HHSC</b>

# Sunset Contracting Recommendations for DSHS

Rec 2.3 Requires HHSC to conduct a strategic review and overhaul of how DSHS contracts for and measures performance regarding behavioral health services, including mental health and substance abuse.

**In Progress**

# Sunset Contracting Recommendations for DFPS

Rec 3.1	Requires DFPS to develop and maintain a long-range foster care redesign implementation plan to guide the agency's transition efforts.	<b>In Progress</b>
Rec 3.2	DFPS should thoroughly evaluate system data and cost before pursuing broad implementation of foster care redesign.	<b>In Progress</b>
Rec 3.3	DFPS should develop a consistent approach to measuring and monitoring provider quality and identifying risk indicators in both the legacy and redesigned systems.	<b>In Progress</b>

# S.B. 20 Implementation Status

Records Retention	<b>Complete</b>	Prohibited Contracts	<b>Complete</b>
Revolving Door Prohibition	<b>Complete</b>	Contracts on the Web	<b>In progress</b>
Using CAPPs	<b>In Progress</b>	Enhanced Monitoring	<b>Complete</b>
Best Value Certification	<b>Complete</b>	Contracts over \$1 million	<b>Complete</b>
Vendor Performance Tracking System	<b>Complete</b>	Contracts over \$5 million	<b>Complete</b>
DIR Purchases	<b>Complete</b>	Risk Analysis	<b>Complete</b>
Conflicts of Interest	<b>Complete</b>	Contract Management Handbook	<b>Complete</b>

# Looking Ahead

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- HHS is developing a new contract management system.
  - When operational, this system will have a real-time link to CAPPS
- HHS is transforming its Procurement and Contracting Services department
  - Streamlining Procurement Processes
  - Focusing on Contract Management

# APPENDIX

## Key Sunset Recommendations for Contracting at HHS

Sunset Recommendation	HHS Status
<b>HHSC Rec. 1.2</b>	
As part of the recommendation to consolidate the five health and human services agencies, direct the executive commissioner to report to the transition legislative oversight committee how the reorganized structure emphasizes information technology and contracting so that these functions receive ongoing high-level attention to help ensure their proper performance.	<b>Complete</b> - Consolidation of procurement and contract oversight ensures uniform, consistent, accurate processing of contracts.
<b>HHSC Rec. 2.3</b>	
As a management recommendation, require HHSC to take the following actions to better define and strengthen its role in both procurement and contract monitoring.	Status noted below
<ul style="list-style-type: none"> <li>• Clarify and standardize HHSC's role over enrollment contracts.</li> </ul>	<b>Complete</b> - HHSC's Procurement and Contracting Services (PCS) works with all 5 agencies on enrollment contracts, through the procurement side and contract oversight side.
<ul style="list-style-type: none"> <li>• Complete, maintain, and update the statutorily required contract management handbook, risk analysis procedure, and central contract management database.</li> </ul>	<b>Complete</b> - The Handbook is posted, risk analysis procedures in place, and HCATS is being used and updated.
<ul style="list-style-type: none"> <li>• Strengthen monitoring of contracts at HHSC. HHSC should develop policies to accomplish the following:               <ul style="list-style-type: none"> <li>○ require the executive commissioner's signature on large or complex contracts managed by any of the HHS system agencies, or develop other clear processes for high-level oversight of such contracts, if the burden on the executive commissioner becomes too great;</li> </ul> </li> </ul>	<b>Complete</b> - The Contract Oversight and Support divisions report to the PCS deputy for better system-wide contract oversight of contract management and monitoring.
<ul style="list-style-type: none"> <li>○ require the executive commissioner's signature on large or complex contracts managed by any of the HHS system agencies, or develop other clear processes for high-level oversight of such contracts, if the burden on the executive commissioner becomes too great;</li> </ul>	<b>Complete</b> - Per SB 20, the EC signs all contracts over \$1 million (about 1,000 active contracts).
<ul style="list-style-type: none"> <li>○ require development of a formal policy defining an ongoing reporting structure that shows for large contracts any corrective action plans, their status, and any liquidated damages assessed and collected; and</li> </ul>	<b>Complete</b> - A system-wide Contract Management Handbook is in place.
<ul style="list-style-type: none"> <li>○ define a means of escalating attention on large and problematic contracts to HHSC's central procurement and contract office, and ultimately, the executive commissioner.</li> </ul>	<b>Complete</b> - By consolidating Contract Oversight and Support, the PCS deputy is aware of contract problems and elevates immediately.

## Key Sunset Recommendations for Contracting at HHS

<b>HHSC Rec. 2.4</b>	
As a management recommendation, direct HHSC's procurement and contract office to improve assistance to and communications with system agencies as follows.	Status noted below.
<ul style="list-style-type: none"> <li>Strengthen technical assistance to system agencies.</li> </ul>	<b>Complete</b> - The technical assistance group in PCS has been upgraded with strong experts.
<ul style="list-style-type: none"> <li>Designate points of contact within HHSC and each HHS system agency.</li> </ul>	<b>Complete</b> - PCS has POCs in place and will evolve those POCs as the PCS and HHS organizational structure transform.
<ul style="list-style-type: none"> <li>Take a more active role in training.</li> </ul>	<b>In Progress</b> - PCS is in the process of upgrading the training section.
<b>HHSC Rec. 2.5</b>	
As a management recommendation, direct HHSC to develop ways to apply focused, high-level attention to system contracting. Whatever the mechanism, characteristics of a focused approach to improving contract management should include, among others:	Status noted below.
<ul style="list-style-type: none"> <li>leadership of HHSC management, including the clear involvement of the executive commissioner;</li> </ul>	<b>Complete</b> - The EC is involved in execution of all \$1 million and up contracts and in the contract management issues that arise.
<ul style="list-style-type: none"> <li>involvement of all major contract owners throughout the system;</li> </ul>	<b>Complete</b> - Contract owners/programs are involved in the approval and discussion process for contracts.
<ul style="list-style-type: none"> <li>awareness that one size does not fit all when developing contracting processes;</li> </ul>	<b>Complete</b> - While PCS attempts to be uniform in approach, there are many "sizes" of contracts, from complex services contracts to purchases of pencils, from buying service trucks to procuring construction services, PCS approaches the project based on the risk and complexity involved.
<ul style="list-style-type: none"> <li>emphasis on ways to provide focused technical assistance and training to contract managers;</li> </ul>	<b>In Progress</b> - With the Handbook and Contract Oversight consolidation, the upgraded training division will complete this recommendation
<ul style="list-style-type: none"> <li>consideration of ways to structure contracting to help ensure close coordination with the contracted entity while still maintaining objectivity when assessing contractor compliance;</li> </ul>	<b>In Progress</b> - As HHS and PCS transform, the structure of contract management continues to be studied.
<ul style="list-style-type: none"> <li>emphasis on measuring outcomes of contracts through appropriate performance measures; and</li> </ul>	<b>In Progress</b> - With the Contract Oversight divisions, HHS continues to improve the performance measures in contracts. The PCS training division will also be training contract managers and programs on how to set appropriate performance measures in contracts.
<ul style="list-style-type: none"> <li>structured ways to implement best practices gleaned from outside sources</li> </ul>	<b>In Progress</b> - As the new CAPPS and SCOR systems come online, HHS will be much

## Key Sunset Recommendations for Contracting at HHS

and lessons learned from the rich store of contracting experiences found in the HHS system.	better able to mine its contracting data and develop new policies and procedures. As a sitting member of the Contract Advisory Team, HHS continues to learn best practices and incorporate them into HHS.
<b>DADS Rec. 5.1</b>	
As a management recommendation, direct DADS to strengthen and consolidate contract management under a new Contract Management Division.	<b><i>In Progress at HHSC</i></b> - With DADS transitioning to HHSC, this recommendation will be handled by HHSC in the larger context of all contracts. The Contract Oversight staff at DADS are mapped to PCS to continue to improve contract oversight of DADS contracts and to provide proper training and resources to the contract managers.
<b>DADS Rec. 5.2</b>	
As a management recommendation, direct the Contract Management Division to review and approve contract planning during the early stages of procurement.	<b><i>In Progress at HHSC</i></b> - With DADS transitioning to HHSC, this recommendation will be handled by HHSC in the larger context of all contracts. The Contract Oversight staff at DADS are mapped to PCS to continue to improve contract oversight of DADS contracts and to provide proper training and resources to the contract managers.
<b>DADS Rec. 5.3</b>	
As a management recommendation, direct the Contract Management Division to develop policies for risk-based monitoring of contracts.	<b><i>In Progress at HHSC</i></b> - With DADS transitioning to HHSC, this recommendation will be handled by HHSC in the larger context of all contracts. The Contract Oversight staff at DADS are mapped to PCS to continue to improve contract oversight of DADS contracts and to provide proper training and resources to the contract managers.
<b>DSHS Rec. 2.3</b>	
As a statutory recommendation, require HHSC to conduct a strategic review and overhaul of how DSHS contracts for and measures performance regarding behavioral health services, including mental health and substance abuse.	<b><i>In Progress</i></b> - Mental Health and Substance Abuse transfers from DSHS to HHSC on 9/1/16. PCS is already working with this program and the Mental Health Coordinator in HHSC to improve contracting processes and outcomes.
<b>DFPS Rec. 3.1</b>	
Require DFPS to develop and maintain a long-range foster care redesign implementation plan to guide the agency's transition efforts.	<b><i>In Progress</i></b>
<b>DFPS Rec. 3.2</b>	
DFPS should thoroughly evaluate system data and cost before pursuing broad implementation of foster care redesign.	<b><i>In Progress</i></b>

## Key Sunset Recommendations for Contracting at HHS

<b>DFPS Rec. 3.3</b>	
DFPS should develop a consistent approach to measuring and monitoring provider quality and identifying risk indicators in both the legacy and redesigned systems.	<i>In Progress</i>

## S.B. 20 Key Provisions Implementation Status at HHS

S.B. 20 Provision	HHS Status
<b>Records Retention</b>	
S.B. 20, SECTION 3, requires state agencies to retain all records for a period of 7 years.	<p><b>Complete</b></p> <p><b>Additional HHSC Initiative:</b> Revised our contract terms and conditions to require our contractors to maintain their contract records for 7 years.</p>
<b>Revolving Door Prohibition</b>	
S.B. 20, SECTION 4, prohibits employees from accepting employment within two years of leaving state service after participating in a procurement or contract negotiation with that entity.	<p><b>Complete</b> - This requirement requires no action by HHSC, but is directed to the individual employees to which it applies.</p> <p><b>Additional HHSC Initiative:</b> Reminding everyone involved in procurement, contract negotiations, and contract management to keep track of which vendors should be on the prohibition list.</p>
<b>Using CAPPs</b>	
S.B. 20, SECTION 9, requires state agencies to report certain contracting information using the Centralized Accounting and Payroll/Personnel System (CAPPs).	<p><b>In Progress</b> - HHS is in the process of becoming a CAPPs HUB. As part of this, particular attention is being paid to ensure the system will capture and report the contract and purchasing information required by the Comptroller.</p>
<b>Best Value Certification</b>	
S.B. 20, SECTION 10, requires each state agency to ensure that, for each contract, the agency has documented the best value standard used for the contract.	<p><b>Complete</b> - HHS is using its internal approval process for initiating and posting solicitations to ensure that the best value standard is used and in compliance with the HHS Contract Management Handbook and the Comptroller's Contract Management Guide.</p>
<b>Vendor Performance Tracking System</b>	
B. 20, SECTION 13, requires the agency to report certain information to the comptroller for the Vendor Performance Tracking System (VPTS).	<p><b>Complete</b></p> <p><b>Additional HHSC Initiative:</b> VPTS was created for simple commodity contracts, but HHSC is working with the Comptroller to ensure all contracts are reported correctly.</p>
<b>Purchases through DIR</b>	
<p>S.B. 20, SECTION 15, requires a tiered approach to buying through DIR:</p> <ul style="list-style-type: none"> <li>• Contract ≤ \$50,000 = direct purchase</li> <li>• Contract &gt; \$50,000 but ≤ \$150,000 = get pricing from at least 3 vendors on the DIR contract</li> <li>• Contract &gt; \$150,000 but ≤ \$1,000,000 = get pricing from at least 6 vendors on the DIR contract</li> </ul>	<p><b>Complete</b></p> <p><b>Additional HHSC Initiative:</b> HHS sends a price request to <u>all</u> vendors on the DIR contract, regardless of estimated cost.</p>

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<p>S.B. 20, SECTION 16, requires state agencies to use the Statement of Work portal, at DIR, for purchases through:</p> <ul style="list-style-type: none"> <li>• DBITS purchases</li> <li>• Managed Services for IT</li> <li>• IT Security Services</li> <li>• Cloud Services</li> <li>• Comprehensive Web Development</li> </ul>	<p><b>Complete</b></p>
<p>S.B. 20, SECTION 15, prohibits state agencies from purchasing through DIR for contracts that will exceed \$1 million.</p>	<p><b>Complete</b> - If the IT purchases will exceed \$1 million, HHS handles as an RFP and posts it on the Electronic State Business Daily to open the competition up to all.</p>
<b>Conflicts of Interest</b>	
<p>S.B. 20, SECTION 18, requires each state agency employee involved in a procurement to disclose conflicts of interest. It also prohibits state agencies from</p>	<p><b>Complete</b> - HHS has revised its Conflict of Interest form to ensure actual and potential conflicts are identified and removed.</p>
<b>Prohibited Contracts</b>	
<p>S.B. 20, SECTION 18, prohibits agencies from entering into contracts for goods or services with a vendor if certain agency board members or staff, or a close relative of those persons, own or control at least 1% of the vendor or if it could reasonably be foreseen that the contract will result in a financial benefit to any of these people.*</p>	<p><b>Complete</b> - HHS has a form for the large procurement projects; however, there's no minimum dollar amount for this in S.B. 20 therefore it applies to all purchases of goods and services. HHS maintains a list of vendors to which this provision applies.</p>
<b>Contracts on the Web</b>	
<p>S.B. 20, SECTION 18, requires state agencies to post all sole-source, proprietary, and emergency contracts and contracts with a value over \$100,000 to the agency website.</p>	<p><b>In Progress</b> - S.B. 20 requires every contract for goods or services, regardless of amount and HHSC has a process for posting this information, but currently has a backlog. HHSC is working on an automated solution to ensure all contracts are posted in a timely manner.</p>
<b>Enhanced Monitoring</b>	
<p>S.B. 20, SECTION 18, requires agencies to post certain information to the agency's Internet website and requires the establishment of a procedure to identify each contract that requires enhanced contract or performance monitoring.</p>	<p><b>Complete</b> - HHS has updated its contract handbooks for enhanced contract monitoring. Each HHS agency has trigger points for when enhanced monitoring is required. Working on administrative rules that complement these policies and procedures.</p>
<b>Contracts over \$1 million</b>	
<p>S.B. 20, SECTION 18, requires for each contract over \$1 million, that the presiding officer or their designee sign all contracts and certain other requirements.</p>	<p><b>Complete</b> - HHSC Executive Commissioner is currently personally signing all contracts over \$1 million (about 1,000 active contracts).</p> <p><b>Additional HHSC Initiatives:</b> HHS also employs financial provisions, delivery</p>

## S.B. 20 Key Provisions Implementation Status at HHS

	schedules, corrective action plans, and liquidated damages, where appropriate.
<b>Contracts over \$5 million</b>	
S.B. 20, SECTION 18, requires for each contract over \$5 million, that certain agency staff verify that the solicitation and purchasing methods and contractor selection process comply with state law and agency policy and provide certain information to the governing body or governing official of the agency.	<b>Complete</b>
<b>Risk Analysis</b>	
S.B. 20, SECTION 18, requires state agencies to develop and comply with a purchasing accountability and risk analysis procedure.	<p><b>Complete</b> - HHS has a risk assessment tool used to analyze risk at the start of a procurement.</p> <p><b>Additional HHSC Initiatives:</b> The HHS CAPPS system will also have a tool for the contract managers to re-assess risk once the contractor is known. HHSC is implementing multiple tools to do risk analysis and evaluation to enhance our ability to detect potential problems quickly and accurately.</p>
<b>Contract Management Handbook</b>	
S.B. 20, SECTION 18, requires state agencies to post on their website a contract management handbook with clear guidelines and procedures.	<b>Complete</b> - The HHS Contract Management Handbook is posted on the HHSC website and the Comptroller's website.