



Presentation to the House General Investigating & Ethics Committee on Contracting and Procurement & the Implementation of S.B. 20

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Texas HHS Overview

- The Texas Health and Human Services System includes:
 - Health and Human Services Commission
 - Department of Aging and Disability Services
 - Department of Assistive and Rehabilitative Services
 - Department of Family and Protective Services
 - Department of State Health Services
 - Office of Inspector General
- Together, these agencies administer more than 200 programs ranging from Medicaid to Child Protective Services to regulatory and licensing functions
- HHSC provides administrative support, including contracting services, for the HHS system

Contracting Overview

- HHSC completed the consolidation of procurement services on October 1, 2015
- The HHS procurement and contracting services division makes purchases of administrative and client services for HHS agencies
- The HHS procurement division 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 84th Legislative Session

S.B. 20 Requirements

- Records Retention
- Revolving Door Prohibition
- Using CAPPS
- Best Value Certification
- Vendor Performance Tracking System
- DIR Purchases
- Conflicts of Interest
- Prohibited Contracts
- Contracts on the Web
- Enhanced Monitoring
- Contracts over \$1 million
- Contracts over \$5 million
- Risk Analysis
- Contract Management Handbook

Records Retention

S.B. 20, SECTION 3, requires state agencies to retain all records for a period of 7 years.

Implementation Status - *Complete*

Additional HHSC Initiative:

- Revised our contract terms and conditions to require our contractors to maintain their contract records for 7 years.

Revolving Door Prohibition

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.

Implementation Status – *Complete*

- This requirement requires no action by HHSC, but is directed to the individual employees to which it applies.

Additional HHSC Initiative:

- Reminding everyone involved in procurement, contract negotiations, and contract management to keep track of which vendors should be on the prohibition list.

Using CAPPS

S.B. 20, SECTION 9, requires state agencies to report certain contracting information using the Centralized Accounting and Payroll/Personnel System (CAPPS).

Implementation Status – *In Progress*

- 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.

Best Value Certification

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.

Implementation Status - *Complete*

- 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.

Vendor Performance

S.B. 20, SECTION 13, requires the agency to report certain information to the comptroller for the Vendor Performance Tracking System (VPTS).

Implementation Status – *Complete*

Additional HHSC Initiative:

- VPTS was created for simple commodity contracts, but HHSC is working with the Comptroller to ensure all contracts are reported correctly.

Purchases Through DIR

S.B. 20, SECTION 15, requires a tiered approach to buying through DIR:

- Contract \leq \$50,000 = direct purchase
- Contract $>$ \$50,000 but \leq \$150,000 = get pricing from at least 3 vendors on the DIR contract
- Contract $>$ \$150,000 but \leq \$1,000,000 = get pricing from at least 6 vendors on the DIR contract

Implementation Status - *Complete*

Additional HHSC Initiative:

- HHS sends a price request to **all** vendors on the DIR contract, regardless of estimated cost.

Purchases Through DIR

S.B. 20, SECTION 16, requires state agencies to use the Statement of Work portal, at DIR, for purchases through:

- DBITS purchases
- Managed Services for IT
- IT Security Services
- Cloud Services
- Comprehensive Web Development

Implementation Status - *Complete*

Other IT Purchases

S.B. 20, SECTION 15, prohibits state agencies from purchasing through DIR for contracts that will exceed \$1 million.

Implementation Status - *Complete*

- 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.

Conflicts of Interest

S.B. 20, SECTION 18, requires each state agency employee involved in a procurement to disclose conflicts of interest.

Implementation Status - *Complete*

- HHS has revised its Conflict of Interest form to ensure actual and *potential* conflicts are identified and removed.

Prohibited Contracts

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.*

Implementation Status – *Complete*

- 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.

**Note: this provision does not affect retirement plans, blind trusts, insurance coverage, or ownership of less than 1%.*

Contracts on the Web

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.

Implementation Status – *In Progress*

- 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

Enhanced Monitoring

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.

- 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.

Implementation Status - *Complete*

Contracts Over \$1 Million

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.

Implementation Status – *Complete*

- HHSC Executive Commissioner is currently personally signing all contracts over \$1 million.

Additional HHSC Initiatives

- HHS also employs financial provisions, delivery schedules, corrective action plans, and liquidated damages, where appropriate.

Contracts Over \$5 Million

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.

Implementation Status - *Complete*

Risk Analysis

S.B. 20, SECTION 18, requires state agencies to develop and comply with a purchasing accountability and risk analysis procedure.

Implementation Status – *Complete*

- HHS has a risk assessment tool used to analyze risk at the start of a procurement.

Additional HHSC Initiatives:

- 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

Contract Management Handbook

S.B. 20, SECTION 18, requires state agencies to post on their website a contract management handbook with clear guidelines and procedures.

Implementation Status - *Complete*

- The HHS Contract Management Handbook is posted on the HHSC website and the Comptroller's website.

Looking Ahead

- 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