



Health and Human Services Procurement and Contracting Improvement Plan

**Office of Transformation and
Innovation**

Health and Human Services

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TEXAS
Health and Human
Services



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1. Introduction and Background

The Health and Human Services Commission (HHSC) is committed to improving the efficiency, accountability, and accuracy of our procurement and contracting functions. This improvement plan serves as one part of a larger effort that has been underway in recent months to enhance the HHS system's procurement and contracting system, and represents a comprehensive and long-term approach to advance the maturity of our procurement and contracting operations and ultimately, to better serve our clients.

Over time, contractual arrangements and transactions with providers and suppliers across the HHS system have grown in both number and complexity. The reliance on these contractual relationships for the provision of essential services — from Medicaid managed care, to mental health and substance abuse services, to women's preventative health care — demands an intensive focus on ensuring the integrity, reliability and efficiency of the system's procurement and contracting functions.

The need to improve the HHS procurement process was brought to the forefront following scrutiny of certain procurements, highlighting irregularities in evaluations of vendor proposals. In April 2018, after determining that a significant contributing factor to these errors was ineffective management at all levels, HHSC made substantial changes to the management and executive leadership responsible for the Procurement & Contracting Services (PCS) division. Changes included naming a new Deputy Executive Commissioner of PCS and a new acting Chief Operating Officer (COO), as well as creating a Compliance and Quality Control unit headed by an Associate Commissioner position that reports directly to the COO.

Additionally, HHSC executive leadership requested that the Internal Audit division conduct an audit of PCS procurement processes, and the Office of the Governor requested an audit by the State Auditor's Office (SAO) and a review by the Office of Inspector General (OIG). The following reports resulted from these requests:

- [SAO Report No. 18-038, An Audit Report on Scoring and Evaluation of Selected Procurements at the Health and Human Services Commission \(July 2018\)](#)
- [OIG Review of the HHS Procurement Process: 2013 - 2018 \(July 2018\)](#)
- HHSC Audit of PCS Procurement Processes, 18-01-023 (July 2018)

Additionally, HHSC entered into a contract on July 16, 2018, with the consulting firm Ernst & Young, LLP (EY), to accomplish the following objectives:

- Perform a comprehensive assessment of HHSC's existing procurement and contracting functions using EY's proprietary Procurement Maturity Model consisting of eight dimensions of organizational maturity (See Figure 1.).
- Determine the root causes, based on EY's assessment, of the underlying weaknesses and failures in HHSC's procurement and contracting processes.
- Prepare a [written improvement plan](#) that identifies opportunities for improvement related to organizational structure, training, policies and procedures, automation or other tools, staffing, and any other topic that informs policy decisions to improve the efficiency and integrity of procurement and contracting functions.

EY's assessment determined that HHSC has opportunities to improve across the eight dimensions of its Maturity Model and identified the following as root causes of weaknesses in HHSC's procurement and contracting functions:

- Historically, HHSC has not had a strategic focus on procurement and contracting practices that is commensurate with organizations of similar size and scale.
- The volume and complexity of transactions has amplified the effect of an unfit model.
- HHSC's communication structure is insufficient for an organization of HHSC's size and complexity.

To address these shortcomings, EY provided a portfolio of potential projects, listed in Appendix A.

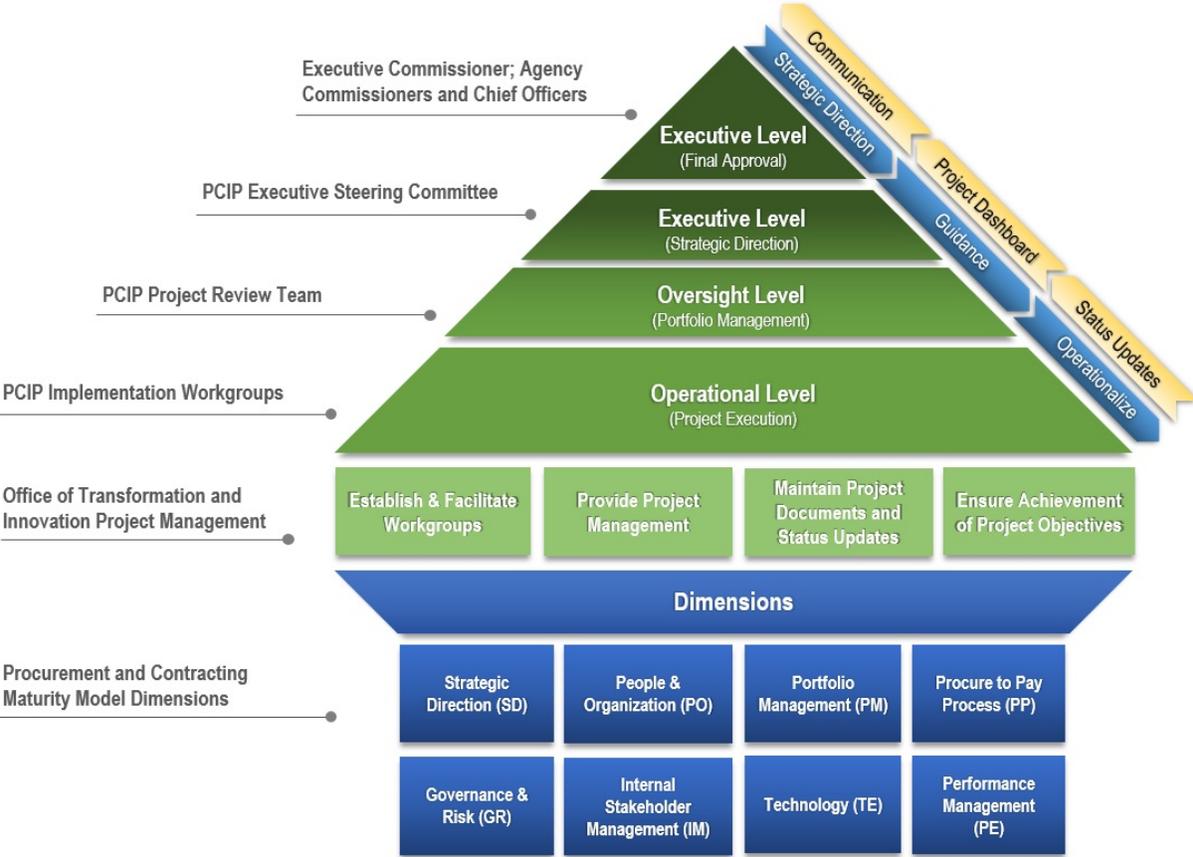
To prioritize and execute needed improvements, the HHSC Office of Transformation and Innovation (OTI) developed a governance structure and facilitated prioritization of EY's proposed projects into a portfolio of high-priority projects, as described in the following sections of this plan, which is collectively known as the HHS Procurement and Contracting Improvement Plan (PCIP).

Although more specific metrics will be assigned to gauge the success of individual PCIP projects, the overall success of the PCIP will be based on the organization's movement to a more mature procurement and contracting model. Overall success will also be measured against the guiding principles outlined in Section 3 of this report.

2. Governance Approach

The PCIP governance structure, depicted in Figure 1 below, is intended to ensure awareness, engagement and accountability for decisions impacting the successful completion of portfolio projects by internal stakeholders across the HHS system. This structure includes four organizational levels, each serving a distinct purpose in ensuring HHSC’s efforts are aligned with PCIP priorities and intended outcomes.

Figure 1. PCIP Governance Structure



The PCIP governance structure includes four organizational levels.

- Executive Level:** The HHS Executive Commissioner serves as the final authority regarding PCIP governance and approval of the improvement plan. Prior to review by the Executive Commissioner, the HHSC Chief

Deputy Executive Commissioner (CDEC), Chief Policy Officer (CPO), COO, Chief Program and Services Officer (CPSO), and the Commissioners of the Department of State Health Services (DSHS) and the Department of Family and Protective Services (DFPS) approve recommendations from the PCIP Executive Steering Committee (ESC).

- **Steering Committee Level:** The PCIP ESC provides strategic direction consistent with guiding principles and the HHSC Executive Commissioner's vision.
- **Oversight Level:** The PCIP Project Review Team (PRT) oversees and manages the portfolio of projects in coordination with the next level, the PCIP Implementation Workgroups.
- **Operational Level:** PCIP Implementation Workgroups that include subject matter experts from across the HHS system execute PCIP projects.

The primary objective of the PCIP governance structure is to define communication channels and decision-making processes to ensure the following results:

- Advancement of the maturity of the HHS procurement and contracting system, taking into consideration the mission of the organization and the best interests of the HHS system and all procurement and contracting stakeholders;
- Development and communication of strategic direction and priorities to the PRT with appropriate short-, mid- or long-range focus, taking into account other major initiatives occurring within the HHS system and the impact of the legislative session; and
- Active monitoring of PCIP project execution, visibility of project updates and progress, and escalation of project's critical risks and issues.

Most importantly, the framework provides the structure for proper oversight and accountability in a manner that is holistic and transparent to internal system stakeholders.

PCIP ESC Members include:

- Deputy Executive Commissioner, OTI (Jordan Dixon, Chair)
- Chief Counsel (Karen Ray)
- Deputy Executive Commissioner, Information Technology (IT), and Chief Information Officer (CIO) (Steve Buche)
- Deputy Executive Commissioner, PCS (Bart Broz)
- Deputy Executive Commissioner, Medicaid & CHIP Services (Stephanie Muth)

- Deputy Executive Commissioner, Health, Developmental, & Independence Services (Lesley French)
- Deputy Executive Commissioner, Health & Specialty Care System (HSCS) (Mike Maples)
- Deputy Commissioner, DSHS (Jennifer Sims)
- Deputy Commissioner, DFPS (Trevor Woodruff)
- Chief Financial Officer (Trey Wood)
- Associate Commissioner of Compliance & Quality Control of PCS (Kay Molina)

The PCIP ESC also includes non-voting Supporting Members who serve an integral role by offering consultation, feedback and support for steering committee operations.

- Chief of Staff to the CDEC (Hailey Kemp)
- Deputy Chief, CPSO (Kelly Garcia)
- Associate Commissioner of IT & Deputy CIO (Charlotte Willis)
- Associate Commissioner, Intellectual and Development Disabilities/Behavioral Health (IDD/BH) Contract Operations (Roderick Swan)
- DSHS Associate Commissioner for Program Operations (Wanda Thompson)
- OIG Chief of Operations and Workforce Leadership (Christine Maldonado)
- HHSC Budget Director (Chris Matthews)
- HSCS Director of Business Unit Management (Gordon Raitt)
- Legal Services Division, Director of System Contracting Department (Andy Marker)
- DFPS CPS PCS Director (Rebecca Flores)
- Director of Medicaid CHIP Services Results Management (Juliet Charron)
- Director of Transformation, OTI (Misti Hair)
- Senior Advisor to the CPO (Rob Ries)
- Senior Transformation Specialist, OTI (Mirsa Douglass)
- Senior Transformation Specialist, OTI (Michael Grisham)

3. Guiding Principles

Prior to determining which priority projects to include in the PCIP portfolio, the PCIP ESC developed guiding principles to serve as a foundation for the values a reformed HHS procurement and contracting system will represent and to establish a framework for long-term goals and objectives.

Compliance & Ethics

The HHS procurement and contracting system will be compliant with laws and regulations to maintain the integrity of the organization, ensure accuracy, and build trust with the public and business partners. Audit findings will be addressed and corrected promptly, and all system stakeholders will act in an ethical manner.

Customer Service

Procurement and contracting will function in a manner that recognizes an obligation to assist and serve internal clients, which includes consideration of the diverse needs of programs and divisions utilizing procurement and contracting services, and engaging in two-way communication.

Accountability

Roles and responsibilities of all parties throughout the procurement and contracting life cycle will be clearly defined and openly communicated. Progress toward project timelines, milestones and organizational goals will be tracked and measured.

Transparency

All policies, processes, workflows, data, reporting and other relevant information will be easily accessible to internal stakeholders to allow for effective and efficient procurement and contracting operations. Stakeholders will work cooperatively and collaboratively to continuously improve contracting and procurement processes.

Efficiency

Procurement and contracting objectives will be met through optimized processes that create significant value for internal and external stakeholders. Decisions related to processes will be compliance- and risk-based while ensuring that overall time and effort from organizational resources are efficiently focused on services and goods that best serve our clients' needs.

Balanced and Realistic Expectations

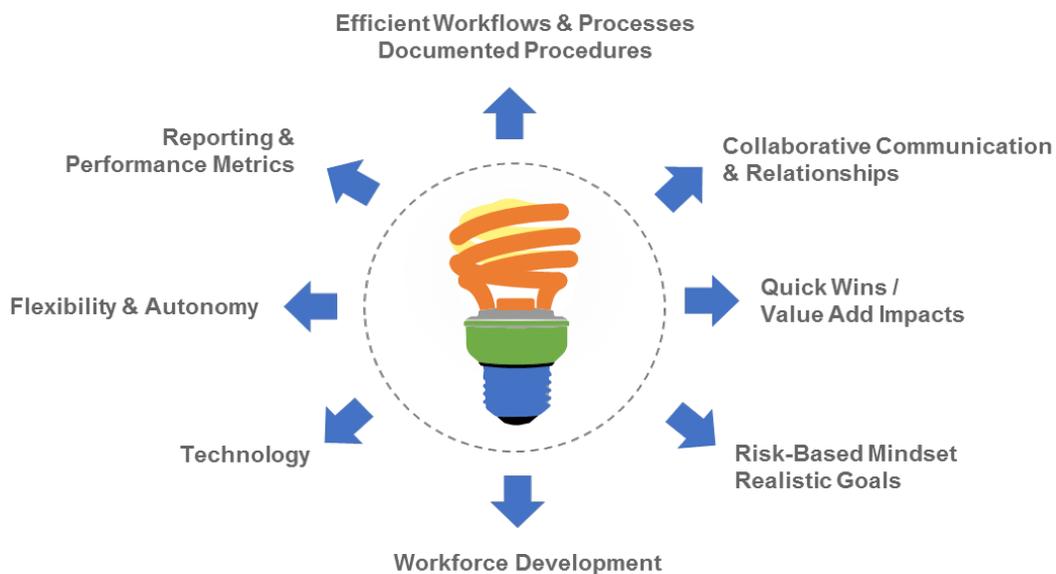
Improvement of the procurement and contracting system will proceed with a balanced and realistic approach that takes into account existing and emerging organizational demands and limitations. Projects will be implemented based on

available resources, funding and capabilities of the organization, while striving for movement to greater levels of maturity and excellence.

4. Improvement Objectives

Based on the assessment and root cause analysis, EY developed a list of 29 potential projects to improve HHSC's overall procurement and contracting maturity (See Appendix A.). Given the number of projects and the importance of meaningful project sequencing, it was necessary to systematically prioritize these 29 projects into a portfolio that reflects the most pressing short- and long-term needs of the organization and that will collectively move the organization's procurement and contracting system towards higher levels of maturity. The PCIP ESC established improvement objectives upon which to base prioritization of the 29 Ernst and Young projects (See Figure 2).

Figure 2. Improvement Objectives



Utilizing these improvement objectives as a starting point, the HHSC OTI facilitated two work sessions with ESC members and other essential internal stakeholders to prioritize EY's projects into a portfolio of 15 projects that represents the highest priority initiatives necessary to elevate procurement and contracting functions to a greater operational maturity level and to embody the guiding principles outlined in Section 3 of this report.

5. Portfolio Strategy

The PCIP portfolio includes a diverse mix of projects organized by themes. Stemming from the improvement goals identified by the ESC, the project themes are identified as follows:

- Operating Model, Framework and Infrastructure;
- Communications;
- Risk and Workflow;
- Governance and Policy;
- Data and Technology; and
- Compliance.

The project themes are described below with their projects, which are identified by the number-letter combination assigned by EY. Also included are general measures of success for each project theme. The entire PCIP portfolio is depicted in Figure 3.

Operating Model, Framework and Infrastructure

An appropriately developed and resourced procurement and contracting infrastructure is essential to support a successful transformation of the system to higher maturity. This project theme is focused on developing and operationalizing a clear strategic vision for the HHS procurement and contracting system that will support the mission and goals of the organization. Associated projects for this project theme are:

- 1SD: Develop a sufficient operating model for the agency's dependency on contracting
- 6PO: Create an optimized organization design for Procurement and Contracting Services (PCS) division

Through these projects, HHSC will accomplish an HHS-wide strategic direction and operating model that facilitates effective procurement and contracting processes and establishes integrated responsibilities between PCS, programs, and support areas (e.g., legal, finance, and budget).

Measures of success for this project theme include having clear roles and responsibilities, stronger accountability, and improved cross-functional planning of procurement and contract management across the system.

Communications

Effective and efficient communication as well as clarity of roles and responsibilities are fundamental to the success of all PCIP projects. This project theme is focused on establishing clear channels and methods of communication at all levels of the organization. Accordingly, it includes projects to develop a collaborative communication framework for change management and easy sharing of information that will engage employees system-wide in a growth mindset and learning culture. Associated projects for this project theme are:

- 19PO: Establish a comprehensive communication framework
- 28PO: Create an employee engagement plan

Measures of success for this project theme include having clear two-way communication channels among departmental areas to help employees stay informed and to create a work environment in which employees and teams are empowered to carry out their responsibilities with confidence and a focus on customer service.

Risk and Workflow

Workflows for review and approval of procurement and contracting actions must balance the need to ensure compliance with the need for velocity in processes to adequately and continuously serve the clients of HHS and DFPS. This project theme will ensure that procurement and contracting workflows are structured in a way that is proportional to the risk they present to the organization and maximizes human resources in smart and efficient ways. This project theme will also incorporate the consideration and assignment of risk throughout the various levels of the organization that interface with procurement and contracting, rather than relegating this responsibility exclusively to a quality assurance and control function. Associated projects for this project theme are:

- 15GR: Risk management – Lines of Defense (LOD) alignment
- 22PP: Redesign procurement end-to-end process
- 16GR: Perform procurement and contract risk assessment
- 24GR: Develop review and approval workflow

Measures of success for this project theme include having a balanced and realistic approach to procurement and contracting operations, complying with laws, rules,

and regulations, and adhering to standardized policies and repeatable procurement and contracting processes.

Governance & Policy

A centralized governance framework for policies and procedures related to procurement and contracting will enhance transparency and awareness across the organization. Having a centralized framework provides a tool to consistently implement necessary policy changes and easily evaluate the impact of policy changes on different divisions of the organization. Associated projects for this project theme are:

- 18SD: Enhance policies governing key business components
- 11PP: Update and refine procurement and contract management manuals

Similar to the previous project theme, measures of success for this project include full adherence to standardized policies and repeatable procurement and contracting processes.

Data and Technology

Data and technology are foundational to transformation of the agency's procurement and contracting system. Quality data ensures reliable and accurate information underpins the agency's planning, decision-making, and performance measures for effective and efficient procurement and contracting operations. Having operational technology that supports effective workflows, and ensuring effective training on the use of that technology, provides the capacity to scale productivity, while ensuring efficiency and accuracy. However, it must be noted that simply upgrading or creating technological solutions without the proper operating model, communication framework, and workflow in place will not be effective. Technology can and should be used as a tool to support these foundational elements of an effective procurement and contracting system. Associated projects for this project theme are:

- 2SD: Conduct data cleansing
- 9TE: Resolve immediate Centralized Accounting and Payroll/Personnel System (CAPPS) needs
- 20PO: Comprehensive training programs with consideration for 8TE: conduct comprehensive CAPPS and System of Contract Operation and Reporting (SCOR) training.

Measures of success for this project theme include improved data integrity and accessibility that increases transparency and informed decision-making across the procurement and contracting system.

Compliance

Ongoing compliance with laws and regulations is the highest priority of the PCIP. Ensuring fair and competitive procurements and holding vendors accountable to contractual obligations for the performance of services is essential to preserve the trust of the public and protect the public interest and the clients served by our organization. Associated projects for this project theme are:

- 13GR: Strengthen compliance monitoring processes and controls
- 17PM: Standardize contract management and monitoring practices across HHSC

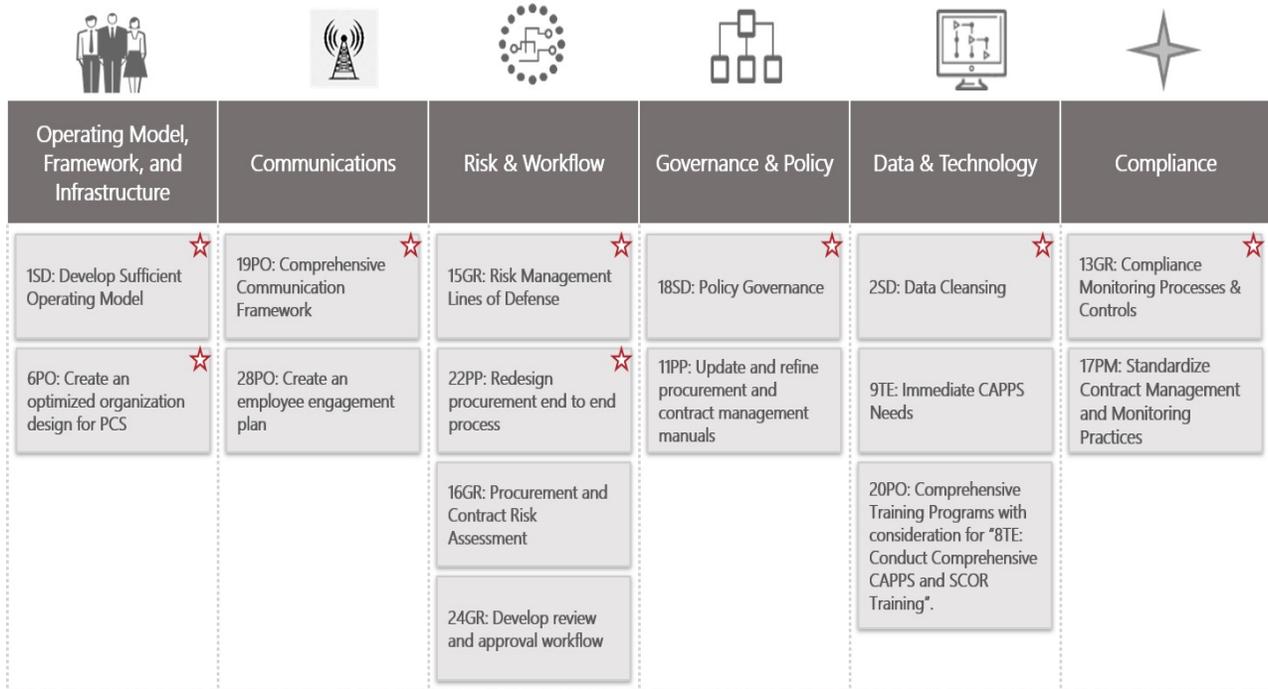
Measures of success for this project theme include practicing and enforcing full compliance with legislative mandates to maintain the integrity of HHS System and its procurement and contracting operations.

Portfolio Strategy

OTI and PCIP ESC members sought to ensure balance in the PCIP portfolio in terms of:

- Short-term projects that address immediate needs versus long-term projects that will help achieve alignment with strategic priorities.
- Projects that ensure ongoing compliance with statutory requirements, audit findings, and other requirements while also including appropriate consideration of risk to ensure velocity in HHS procurement and contracting processes necessary to provide essential services to clients.
- Projects that address multiple dimensions of the system's maturity (i.e., communications, risk and governance, and data and technology).

Figure 3. Portfolio Strategy



☆ – Foundational Projects

“Foundational projects,” as identified in Figure 3, are those that must be initiated prior to moving to other projects in the project themes. Foundational projects will be initiated across all project themes simultaneously to ensure the organization is maturing across multiple dimensions at once. The simultaneous implementation of numerous large projects will require extensive stakeholder engagement, communication planning, project and work plan development, and management of interdependencies between projects.

It should be noted that several of the EY projects not explicitly included in the PCIP portfolio will likely be absorbed into portfolio projects. For example, projects to expand upon the program liaison process and establish a lessons-learned touch point (4 IM and 5 IM, respectively) will be discussed and addressed as part of the creation of a Comprehensive Communication Framework (19 PO). Similarly, projects to optimize PCS forms, contract tools and contract templates related to procure to pay process (11 PP) and to enhance complex services processes (23 PP) will be addressed through the project to redesign procurement’s end-to-end process (22 PP). Other projects, such as establishing a performance management practice (7 PE) and establishing a vendor outreach program (27 PM) will be undertaken through

other projects already underway by the Office of Performance and the PCS division, respectively.

Finally, on-going portfolio management will be essential to ensure successful implementation of projects. This will require further project scoping and sequencing of interdependent projects, and may therefore necessitate changes or clarifications to the PCIP and portfolio strategy. Changes will be vetted by and approved by the ESC.

6. Portfolio Implementation and Evaluation

Based on general timelines developed by EY for projects included in the PCIP portfolio, it is estimated that the majority of projects can be completed within 24 months assuming sufficient resources with the appropriate skill sets are available. OTI, with direction from the ESC, is in the process of determining, on a preliminary basis, which projects can be implemented in the 9-12 month timeframe, 12-18 month timeframe, and 18-24 month timeframe based on available resources and timing of incoming new hires to support the effort. However, further planning and project scoping activities to take place over the coming months will provide more concrete timelines for defined milestones and projects as a whole.

The PCIP ESC was formalized on October 23, 2018 by authority of the HHSC Executive Commissioner. The following describes plans for the execution of other levels of the Governance Structure outlined in Figure 1.

Oversight Level: Project Review Team (PRT)

HHSC OTI is in the process of establishing the PCIP Project Review Team (PRT) within the Oversight Level of the PCIP governance structure, thereby standing up the framework by which HHSC will maintain holistic project management oversight and ensure accountability for projects in the PCIP portfolio. The PRT will meet frequently on an established schedule to facilitate reporting, discussion, resolution, tracking and documentation of project statuses. This includes monitoring the close-out of findings and recommendations from audits and investigations. (See Appendix A.)

Operational Level: Implementation Workgroups

Following kick-off of the PRT, HHSC OTI will immediately establish PCIP Implementation Workgroups within the Operational Level of the PCIP governance structure for key projects. Membership of Implementation Workgroups will be comprised of critical subject matter experts throughout the system that have the necessary background and knowledge to support the successful implementation of projects (e.g., Legal Services, Financial Services, IT, PCS, client services programs, DFPS, DSHS, OIG, etc.). Each Implementation Workgroup, once established, will develop a detailed project work plan, including project assumptions and constraints, and take into consideration available resources, funding and project interdependencies that affect implementation sequencing.

Implementation Workgroups will also establish meeting schedules based on the needs of each project. On an ongoing basis, Implementation Workgroups will report

project statuses to the PRT using standardized reporting templates and tools approved by the PRT. To ensure the overall health of the PCIP portfolio is maintained and each PCIP project remains on track, Implementation Workgroups and the PRT will regularly evaluate project progress and follow an escalation protocol to resolve issues expeditiously where needed. Specifically, projects experiencing issues that require action beyond the Implementation Workgroup level will be reviewed, discussed and resolved at each PRT meeting. Projects experiencing issues that require executive-level intervention beyond the PRT will be escalated to the PCIP ESC for resolution.

7. Change Management

In addition to providing streamlined visibility of all PCIP projects at multiple levels, the PCIP governance structure also provides a critical change management function.

Specifically, should PCIP priorities change due to internal or external factors, the PCIP governance structure allows the capability to enact changes in strategy or scope, ensuring the day-to-day efforts of the agency are continuously aligned with the priorities and outcomes approved by executive leadership.

The number and scope of the PCIP portfolio projects as well as the extensive involvement of stakeholders at all levels and in all divisions of the organization will naturally necessitate extensive change management activities, including sufficient opportunities for training and education of staff on new policies, procedures and workflows. Planning for these activities and the development of broader change management strategies to ensure the successful transition to a redesigned procurement and contracting system will be an essential role of the ESC, with support from OTI.

Appendix A. Audit recommendations-PCIP Project Crosswalk

PCIP Projects	Relevant Audit Recommendations		
	HHSC IA	IG	SAO
13 GR: Strengthen Compliance Monitoring Processes & Controls	✓	✓	✓
18 SD: Enhance Policies Governing Key Business Components	✓	✓	✓
11 PP: Update and Refine Procurement & Contracting Management Manuals	✓	✓	
19 PO: Establish Comprehensive Communication Framework	✓	✓	
24 GR: Develop Review & Approval Workflow	✓	✓	
1 SD: Develop Sufficient Operating Model	✓		
20 PO: Develop Comprehensive Training Program	✓		
2 SD: Conduct Data Cleansing	✓		
6 PO: Create Optimized PCS Organization Design	✓		
15 GR: Risk Management - Line of Defense Alignment			
16 GR: Perform Procurement & Contract Risk Assessment			
17 PM: Standardize Contract Management & Monitoring Practices			
22 PP: Redesign Procurement End-to-End Process			
3 IM: Establish Dashboard Automation for Business Administrative Functions			
9 TE: Resolve Immediate CAPPs Needs			

Appendix B. Ernst & Young Portfolio of Projects

Project ID	Project Name	Project Description	Project Situation
1SD	Develop sufficient operating model for the agency's dependency on contracting as a critical success factor	Incorporate PCS into the HHSC strategic plan in a more formal manner that allows it to document and communicate its vision, mission, and purpose. Develop the requisite operating model framework to support the above.	<ul style="list-style-type: none"> •PCS vision, mission, and purpose is not fully aligned with the Agency's vision/mission and not openly confirmed and communicated to all stakeholders. Misalignment drives inconsistent priorities in people, process, technology and governance within the function.
2SD	Conduct data cleansing	Conduct data cleansing exercise across the organization to improve data integrity and accuracy.	<ul style="list-style-type: none"> •Historical data within CAPPs, SCOR, Budget/Finance does not appear to be aligned with correct dollar amounts nor other specific areas of data capture
18SD	Enhance policies governing key business components	Enhance capacities to manage policies governing key components of the business (to support efforts of Chief Policy Officer).	<ul style="list-style-type: none"> •Constant change in management priorities drove sub-optimal policies with frequent revision. HHSC needs clarity.
6PO	Create an optimized organization design for PCS	Develop an improved organization design for PCS by helping to define roles and responsibilities, balance workloads and staffing, create a function to oversee contract compliance, and create a formal liaison process.	<ul style="list-style-type: none"> •Unclear roles and responsibilities coupled with undefined KPIs and job openings keep the organization from being structured appropriately. Workload inconsistent; staff doing tasks for which they don't have the competencies; oversight of contract quality inconsistent inhabiting effectiveness, compliance, and efficiency
19PO	Establish a comprehensive communication framework	Create a comprehensive and sustainable communication framework and plan for PCS to disseminate information both internally and externally.	<ul style="list-style-type: none"> •Currently procurement related communications are not actively and comprehensively planned and managed. Communication is unstructured, inconsistent and not properly cascaded. This has led to knowledge gaps for key roles, a systematic lack of end-user engagement, and the inability to create a culture of cooperation and collaboration. For instance, one program noted having discontinued the use of DocuSign for certain processes where it was no longer required because notice was given in a meeting, but not documented or cascaded.

Project ID	Project Name	Project Description	Project Situation
20PO	Develop comprehensive training programs	Develop a formal training strategy and robust onboarding and ongoing development programs to support PCS staff.	<ul style="list-style-type: none"> Although limited training has been provided to PCS employees, a formal training strategy, plan and program has not been developed and provided to procurement staff. Training programs are generally insufficient and there is limited designated support resources to provide compliance and technical guidance.
28PO	Create an employee engagement plan	Develop an employee engagement plan to improve trust and develop a continuous learning culture within PCS.	<ul style="list-style-type: none"> Good performance and success is rewarded much less frequently than bad behavior/failure is punished. This significantly impacts morale and prevents employees from feeling empowered and engaged. Given the pre-existing fear culture in PCS action is warranted.
17PM	Standardize contract management and monitoring practices across HHSC	Identify, develop, and document optimized business processes for contract administration and oversight in order to develop contract management best practices guidance that provides a framework to standardize contract management and monitoring processes and practices for the enterprise. The guidance should provide practical suggestions as well as best practices to improve agency contracting practices, assist contract managers in leveraging technology, metrics, training and lessons learned for the purpose of minimizing project risk; and clearly define roles and responsibilities of all players in the process.	<ul style="list-style-type: none"> As a consequence of transformation the approach to contract management and monitoring at HHSC has not been unified into a standardized set of policy, practice and process guidance for programs to utilize. More recently, HHS policy and guidance on contract management and monitoring practices and processes has not been updated and aligned to the State guidance on contract management. As such contract management and monitoring practices vary dramatically by program.
26PM	Develop procurement spend analysis practice	PCS should establish a strategy and associated practices related to employing portfolio and spend management practices appropriate for a large agency operating within state level master contracts and individual agency purchases to ensure the HHSC is receiving maximum economies of scale.	<ul style="list-style-type: none"> PCS does not currently utilize data to help it to identify and execute strategic contracting opportunities for the agency. This coupled with the current limitations in data integrity, accuracy and access lead to a need to establish a consistent methodology and practice for spend analysis at the agency to support improved data-driven decision-making regarding procurement activities.

Project ID	Project Name	Project Description	Project Situation
27PM	Establish a vendor outreach program	<p>The vendor outreach program will create a framework for structured engagement between HHS system procurement and program personnel and the vendor community. The project establishes policies and implements practices that strengthen accountability, transparency, and uniformity in vendor interaction, communication, collaboration, and management. This project comprises two phases, with the development of preliminary schedule for outreach events based on review of the HHS System Strategic Procurement Plan.</p>	<ul style="list-style-type: none"> •Hindering communication and engagement throughout procurement planning and contracting hampers meaningful outcomes for complex, high-risk contracts limiting vendor input provides an inherent advantage to incumbent vendors because a new vendor is more challenged in its ability to communicate emerging practices or unique products or services that vendor may be able to offer the state agency. •Agency vendor management policies and practices reflect unnecessarily limited vendor interaction that is not aligned with statewide guidance that creates collaboration opportunities. For example, TGC 2155.081 directs the CPA to establish a vendor advisory community to provide input into state procurement practices and serve as a channel of communication amongst the vendor community.
11PP	Update and refine procurement and contract management manuals	<p>Update and refine Procurement and Contract Management Manuals and identify Administrative Rule requirements to ensure a consistent and compliant practice. Short term, requirement is to bring manuals to current state to achieve audit requirements. Long term, project will include an updated manual based on new procurement processes.</p>	<ul style="list-style-type: none"> •Processes are often inconsistent across similar requisitions, causing inefficiencies and increasing errors and noncompliance, workarounds are prevalent in part because of lack of knowledge. Current manuals are over two years old and have not been updated with current information, including no specificity to HHSC procedures which drives audit exposure.
12PP	Optimize PCS forms, contract tools and contract templates related to procure to pay process	<p>Develop and/or refine PCS forms, contract tools, and contract templates that are aligned with the revised manual to facilitate efficient and effective procurement life cycle processes and compliance with state-required processes.</p>	<ul style="list-style-type: none"> •Processes are often not written to support a large organization, limiting opportunities for economies of scale and optimization improvements. PCS and Program have different templates that are created outside of CAPPs that are then imported into CAPPs. Some forms may have the ability to be created inside CAPPs.

Project ID	Project Name	Project Description	Project Situation
22PP	Redesign procurement end to end process	Build a standard, repeatable process for identification, review and optimization of PCS as procurement-related changes are implemented at HHSC to remain aligned to implement policies, processes, technology and organization.	<ul style="list-style-type: none"> •Due to significant changes in procurement-related organization, roles, responsibilities, policies and processes that will be put in place in light of this report it will be necessary for PCS to establish a consistent procure to pay process to ensure current SOPs are optimized to align with changes as they are implemented.
23PP	Enhance Complex Services Process	Establish and document policies, processes, and templates for the development and documentation of a complex solicitation.	<ul style="list-style-type: none"> •Lack of documentation standardization. Evaluation process that does not meet the needs of the Agency
13GR	Strengthen compliance monitoring processes and controls	Incorporate additional rigor into review and audit processes to improve enforcement and consistency of compliance.	<ul style="list-style-type: none"> •Inconsistencies in compliance processes were noted both during the current state assessment and identified in previously issued audit reports. A methodical approach to addressing these issues will increase confidence in the integrity of the process and reduce the risk of controls failures and repeated audit findings.
14GR	Align processes for managing reports to governing entities outside of HHSC	Identify, develop, and document optimized business and governance review processes related to the function of external reporting requirements related to procurement, contract management and vendor performance for the Agency. Establish a role responsible for identifying and managing governance processes helping ensure all external reporting requirements of the Agency are being met.	<ul style="list-style-type: none"> •Processes and controls for identifying and coordinating reporting to third party governance entities is not defined and may lead to inaccurate or non-compliant external reporting, resulting in unnecessary rework and loss of confidence in reports provided to third parties to HHSC.
15GR	Risk management – Lines of Defense (LOD) alignment	Clarify the roles and accountabilities for risk ownership and risk oversight. Strengthen PCS' accountability to own risks, clarify CQC's mandate to oversee and monitor risks, and clarify roles of a management level oversight committee for key decisions and governance activities over procurement and contracting.	<ul style="list-style-type: none"> •Roles and responsibilities for risk ownership and oversight across PCS, Compliance and Quality Control (CQC), Programs, Legal and Budget/Finance are not clearly defined, and may result in inefficiencies, gaps in monitoring responsibilities, and objectivity concerns of CQC auditing its own work. Without clearly delineated roles, the risk of controls failures or management override are increased.

Project ID	Project Name	Project Description	Project Situation
16GR	Perform procurement and contract risk assessment	Establish a methodology for assessing procurement and contracting activities that is risk-based incorporating statutory requirements of the state, cost estimates, and contract types. Leverage the existing contract risk assessment process, updating for new policies and approval thresholds, and develop a procurement risk assessment process.	<ul style="list-style-type: none"> •Generally, review and approval follow the same process and rigor regardless of the risk level of the procurement or contract, creating gaps in efficiencies, over-engineering, and a false sense that risk is covered
24GR	Develop review and approval workflow	Establish a delegation of authority and a risk-based approval workflow for HHSC for all procurement activities.	<ul style="list-style-type: none"> •After the risk assessment process is complete, the approval workflow will need to be updated to align with new process of approving contracts differently based on the assigned risk.
25GR	Implement a continuous control effectiveness testing program	Perform continuous testing of procurement and contracting compliance with established policies and procedures.	<ul style="list-style-type: none"> •While the CQC function has recently been established, a process has not been consistently implemented to assess compliance with processes and procedures across the Agency. Without a rigorous quality control testing program, the ability of the Agency to consistently execute new and redesigned controls consistently will be limited, increasing the risk of process and policy noncompliance.
8TE	Conduct Comprehensive CAPPs and SCOR Training	Provide additional, immediate training in the use of CAPPs and SCOR in their current state to increase awareness and intended capacity.	<ul style="list-style-type: none"> •Training programs are insufficient in content and frequency, and there are limited designated support resources to provide compliance and technical guidance. The existing training programs (onboarding & ongoing) do not provide employees with the knowledge and tools needed to be successful in their roles. The lack of training, coupled with excessive workloads and nonstandard processes, has contributed to staff often feeling overwhelmed and frustrated. •The train-the-trainer model used previously was not successful. Adequate budget must be allocated to support a robust training program to educate users on the system in its current state and provide on-going training as system changes are implemented in the future.

Project ID	Project Name	Project Description	Project Situation
9TE	Resolve Immediate CAPPs Needs	Complete a rapid analysis to determine how the CAPPs Phase II release can be influenced to address immediate system functionality priorities.	<ul style="list-style-type: none"> •Business needs and volume are not sufficiently synchronized to process/technology. CAPPs has been heavily modified to accommodate State of Texas statutory contracting requirements, as well as HHSC-specific contracting needs; however, the system is not designed to support a specific set of agency or program purchasing processes and procedures.
10TE	Optimize eSignature Tools	Solution DocuSign tools for integration or end of life. Assess eSignature tools that have similar functionality and potentially superior integration/costs, and determine a plan going forward.	<ul style="list-style-type: none"> •The lack of visibility within, and integration among, procurement-related systems (e.g., CAPPs and DocuSign) creates risk for policy compliance issues and undermines statewide transparency efforts.
21TE	Perform full fit gap analysis	Perform a comprehensive fit-gap analysis to align CAPPs and SCOR system functionality with optimized processes.	<ul style="list-style-type: none"> •CAPPs was not designed to serve many important procurement-related purposes (i.e., complex contract proposal evaluation, vendor performance tracking, document management, spend analysis and public data transparency) in function or in HHSC-level volume.
29TE	Streamline remaining procurement-related technology	Review other procurement-related technology solutions (i.e., DocuSign and Excel spreadsheets) outside the CAPPs system to verify fit and identify potential alternative solutions.	<ul style="list-style-type: none"> •The lack of integration among procurement related systems combined with the lack of properly configured reporting functionality in CAPPs frustrates users, precludes data-driven procurement practices and undermines statewide transparency efforts.
3IM	Enable dashboard automation for business administrative functions	Enable organization to automate existing high-volume and complex, multi-step data handling actions as if business users were doing the work. Capture and interpret existing applications, manipulate data, trigger responses and communicate with other systems. Primary focus is to allow Program/Agency access to see where requisitions are during the life cycle of the requisition in CAPPs.	<ul style="list-style-type: none"> •Program/Agency is unable to run reporting dashboard to determine where in the life cycle inputted requisitions reside within CAPPs, extreme lack of visibility leads to delays and stakeholder frustration.

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4IM	Expand upon the program liaison process	A new process has been instituted under new management; it should be expanded to include regular embedded (on-site) support, better case management tools regarding status and a de-emphasis on call to top to move a procurement. Areas without enough liaisons need to review to right-size.	<ul style="list-style-type: none"> •The root cause that says HHSC operates in a “Hero” environment – Reliant on extraordinary individuals’ efforts to compensate for inadequate technology and processes. Without a formal process in place, both PCS and program have noted that whether certain tasks were completed correctly and efficiently depended on who from PCS or which program you were dealing with. For instance, programs noted that direction over process, next steps and status were difficult to consistently obtain from PCS and frequently rely on a few individuals to find the information they need. Similarly, PCS has noted problems in obtaining necessary forecasting plans from varying programs.
5IM	Establish a lessons learned touch point	At the end of each complex solicitation, both PCS and Program should have the opportunity to provide feedback regarding what went well and what didn't go well at key phases on the contract development process. Responses should be recorded for reference for future solicitations of the good or service. Any opportunities for learning regarding general process improvements should also be documented and shared for future reference.	<ul style="list-style-type: none"> •This project seeks to address the root causes: processes are often not written to support a large organization, limiting opportunities for economies of scale and optimization improvements. For instance, there is currently minimal process in place to help prevent problems from repeating themselves, such as the repeated evaluation mistakes. By establishing a lessons learned touchpoint, PCS can seek to address this issue by having a published repository for new staff to refer to as well as the ability for PCS staff, PCS leadership and program staff to have an effective feedback loop.

Project ID	Project Name	Project Description	Project Situation
7PE	Establish a performance management practice	<p>Coordinated with the Office of Performance Management (OPM) of the Chief Policy Office, the project will establish a continuous improvement initiative to identify, measure, and act on performance data across the procurement life cycle. Using a data-driven approach, PCS and OPM will work with stakeholders to identify key performance indicators (KPIs) and establish methods to track and report on process and subprocess cycle times, among other measure relevant to the procurement function. PCS will work with project stakeholders to establish standards for the type of performance information that will be collected and published, and will coordinate with OPM to establish publishing frequency, format, and platform.</p>	<ul style="list-style-type: none"> •Current systems do not facilitate visibility and extraction of data to support procurement-related business decisions. •HHSC program areas are performing ad hoc and manual reporting to track and manage the status of their procurement requests. •The lack of integration among procurement-related systems combined with the lack of properly configured reporting functionality in CAPPs frustrates users, precludes data-driven procurement practices and hampers statewide transparency efforts.