



Presentation to the House Appropriations, Art II Sub-Committee

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HHS Procurement and Contracting Improvement Plan (PCIP)

- The Health and Human Services Commission (HHSC) entered into a contract with Ernst & Young (EY) on July 16, 2018, beginning a 10-week engagement
- The contract included four phases and corresponding deliverables:
 - Phase I: Assessment
 - Phase II: Root Cause Analysis
 - Phase III: Improvement Plan EY
 - Phase IV: Post-Implementation Evaluation
- Based on findings in Phases I and II, and the recommended improvements in Phase III, HHSC developed a portfolio of 16 high-impact projects, known as PCIP
- All 16 projects were completed and closed out by October 2, 2020



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Ernst and Young Phase IV Report

Evaluation of HHSC Improvements, issued in January 2021

Findings - Strengths:

- Improvement in communications and collaboration between Procurement and Contracting Services (PCS) and program areas
- Development of “to-be” process mapping
- Robust Procurement and Contract Management Handbook
- Real-time status updates of procurement requisitions in the CAPPS workflow
- Comprehensive training strategy and framework
- Contract Management Support division created in PCS
- Reduced vacancy rate in PCS from 24.3 percent to 4.74 percent

Findings - Recommendations for Further Improvement:

- Expanding existing performance measures and defining fit-for-purpose key performance indicators and associated remediation plans
- Establishing an institutionalized procurement planning practice
- Improving Historically Underutilized Business (HUB) utilization tracking, accountability procedures and reporting compliance
- Performing a technology capability/functionality assessment to map HHSC’s current needs and gaps

“HHSC has undertaken a systemwide cross-agency effort to transform its procurement and contracting functions... Since 2018, HHSC has invested in transformational improvements to address the most pressing issues facing PCS”.

Ernst & Young, Texas Health and Human Services Procurement and Contracting
Phase IV Evaluation Report, January 7, 2021



HHSC Procurement and Contracting Reform – Focus Areas

Accountability, Oversight and Compliance

- Established the Compliance and Quality Control (CQC) division, under a separate chain of command from PCS to perform quality and compliance reviews on all complex procurements and to play a key role in ensuring the accuracy and integrity of the evaluation process
- Incorporated minimum requirements for management oversight to ensure staff accountability for key contract management functions such as invoice processing, tracking deliverables and ensuring complete contract management files
- Created a Compliance division within the Internal Auditor's office to track audit trends and reduce the frequency of repeat findings and disallowed costs

Improving Communications and Transparency

- Published a guide for vendors called, "How to Do Business with HHSC" to foster more engagement with current vendors, and published the HHSC Vendor Interaction Policy to promote and guide communications between the vendor community and HHSC staff
- Published a HUB Toolkit for vendors to assist with state HUB compliance
- Posted a forecast of complex procurements and grants to the HHSC website to make vendors aware of upcoming opportunities to do business with the agency



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HHSC Procurement and Contracting Reform – Focus Areas

Strengthening Procurement and Contracting Workforce

- Utilizing the Legislature's investment of 32 additional FTEs appropriated in the 86th Legislative Session, PCS recruited highly qualified staff and leadership
- As a result, PCS has decreased its vacancy rate from 24.3 percent to 4.74 percent and reduced the average supervisor to purchaser ratio from 1:18 to 1:10
- Established a Contract Management Support unit within PCS to develop standard tools, issue guidance and policies, and provide technical assistance to HHSC contract managers
- Established specialized teams of purchasers in PCS to focus on grants, construction, and complex information technology procurements

Strategic and Long-Term Planning

- Published the Procurement Action Lead Time Schedule that informs program staff of the timelines, steps, and responsible parties associated with each procurement type
- Published a revised operating model and a three-year strategic plan for the HHSC procurement and contracting system
- Enacted the Procurement Forecast and Action Plan Policy, requiring all divisions and agencies that utilize PCS procurement services to forecast procurements for a five-year period and to plan for procurements needing initiation in two years to ensure timely contract execution



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HHSC Procurement and Contracting Reform – Focus Areas

Effective Policies, Procedures and Processes

- Developed or updated all relevant checklists, forms, and templates to ensure legal compliance and best practices for all types of procurements
- Published updated standard operating procedures for complex solicitations to ensure compliance with statutes and provide clear guidance to PCS and program staff
- Created a comprehensive matrix showing, for all key steps in the procurement and contracting process, the level of responsibility and accountability for all parties, including PCS, CQC, Legal, Budget, and program contract management
- Published the comprehensive and user-friendly HHS Procurement and Contract Management Handbook



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Current and Future Improvement Efforts

HHSC embraces a continuous improvement approach to procurement and contracting, and will continue to seek additional opportunities to improve compliance, efficiency, and quality - below are some key activities currently planned for 2021

- Enhance automation of the Invoice Tracking System to improve efficiency and accuracy of vendor payments
- Develop and launch HUB training for contract managers and enhance HUB vendor outreach and education
- Establish a data reporting tool to better capture recurring issues identified by CQC during their review of complex solicitations
- Launch a requisition entry training and establish a Requisition Resource Center to provide tools and training to improve the accuracy of requisitions for purchases
- Launch a mandatory, comprehensive agency-wide procurement and contract management training to be complete every two years
- Establish a comprehensive system-wide contract file checklist policy to ensure consistent and complete contract management files in accordance with statutory requirements
- Launch additional improvements to CAPPS Financials to allow for better tracking of purchase orders and contracts
- Enhance automation in System of Contract Operation and Reporting (SCOR) to reduce staff time spent on manual processes
- Create tool box to include helpful resources for management of contracts in accordance with established requirements including detailed information on vendor compliance checks, flow charts on key contract processes, frequently asked questions, and desk guides



SAO Audit Report

An Audit Report on Selected Contracting Functions at the Health and Human Services Commission, issued January 2021

Significant Findings and Commission Actions:

- HHSC did not consistently perform certain required planning, procurement and vendor selection functions
 - ✓ Procedures are in place that include management review to ensure that minimum qualifications are screened, vendor checks are completed, and vendors are properly selected
 - ✓ PCS published the Procurement Action Lead Time Schedule in November 2019 to account for proper planning and time to complete all applicable procurement processes
- HHSC consistently reported contract information to the Legislative Budget Board (LBB); however, it should improve the accuracy and timeliness of its reporting
 - ✓ SCOR team continues to enhance its quality assurance process to help verify the accuracy and completeness of data in SCOR
 - ✓ SCOR team is running weekly checks and notifying contract managers when documents are not uploaded on schedule, which is what is needed to upload to the LBB timely
- HHSC did not consistently obtain required certifications and disclosures
 - ✓ All solicitation reviewers and attorneys are now included in the nepotism disclosure form process



SAO Audit Report

- HHSC did not consistently use SCOR as the system of record for managing its contracts
 - ✓ HHSC began uploading procurement files into SCOR in late FY19 and staff has completed the backlog
 - ✓ SCOR team is running regular checks on contract risk assessments and other contract management requirements, and notifying contract managers if they are out of compliance
 - ✓ New Contract Management Support team is working with internal HHS stakeholders to review agency-wide risk elements for improved executive visibility to contract risks and to contribute to proper contract monitoring and, is reviewing other SCOR policies to determine the proper place for various contract reporting and deliverables to be maintained
- The Commission should consistently follow and continue to strengthen its evaluation process to help ensure that it can support and defend its award decisions
 - ✓ Evaluations are required to take place in CAPPs Financials as directed by the executive commissioner effective September 2020 with limited exceptions; to ensure consistent and well-documented processes for evaluations conducted outside of CAPPs Financials, CQC implemented a directive to its staff that no outlier score sheets will be accepted without a comment entry