



## LEGISLATIVE BUDGET BOARD

# **LBB Contract Reporting & Oversight**

## **Legislative Budget Board**

**PRESENTED TO THE HOUSE APPROPRIATIONS COMMITTEE**

**LEGISLATIVE BUDGET BOARD STAFF**

**SEPTEMBER 2016**

# Presentation Overview

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1. Contract reporting trends
2. LBB staff review of high risk contracts
3. Case Study: Office of the Attorney General TXCSES 2.0 contract
4. Contracting risk trends

# Statement of Interim Charge

**Interim Charge 8:** Monitor the ongoing implementation of SB 20 (84R) and Article IX, Sec. 7.12 of the General Appropriations Act, HB 1 (84R). Study trends in state contracting as developed by the Legislative Budget Board and recommend new and/or modified strategies to ensure all contracting is executed in a transparent and judicious manner.

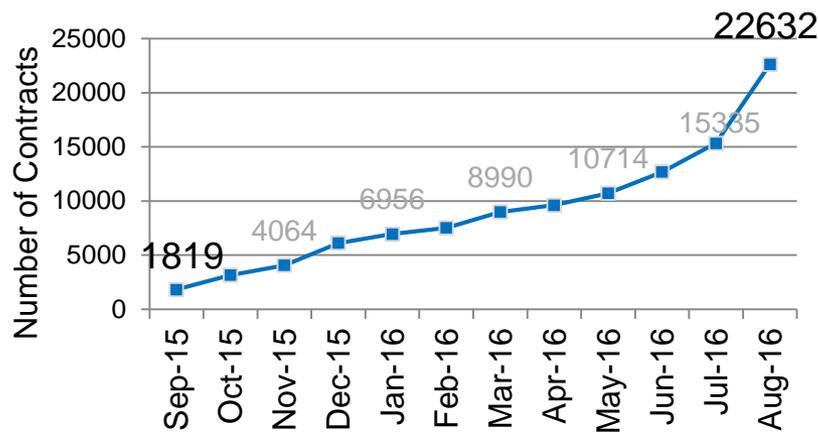
# Contract Reporting Trends: LBB

The LBB Contracts Database (effective 9/01/2015) has been populated by state agencies throughout fiscal year 2016.

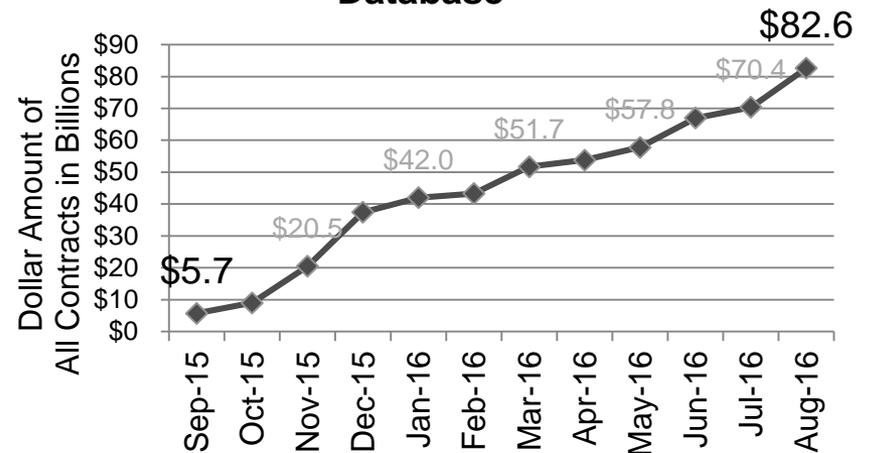
While some reporting is incomplete, as of 8/31/2016:

- 153 reporting entities
- Over 22600 contracts submitted
- \$82.6 billion in contracts reported

Number of Contracts Reported to LBB Database



Value of Contracts Reported to LBB Database



# Contract Reporting Trends: Requirements

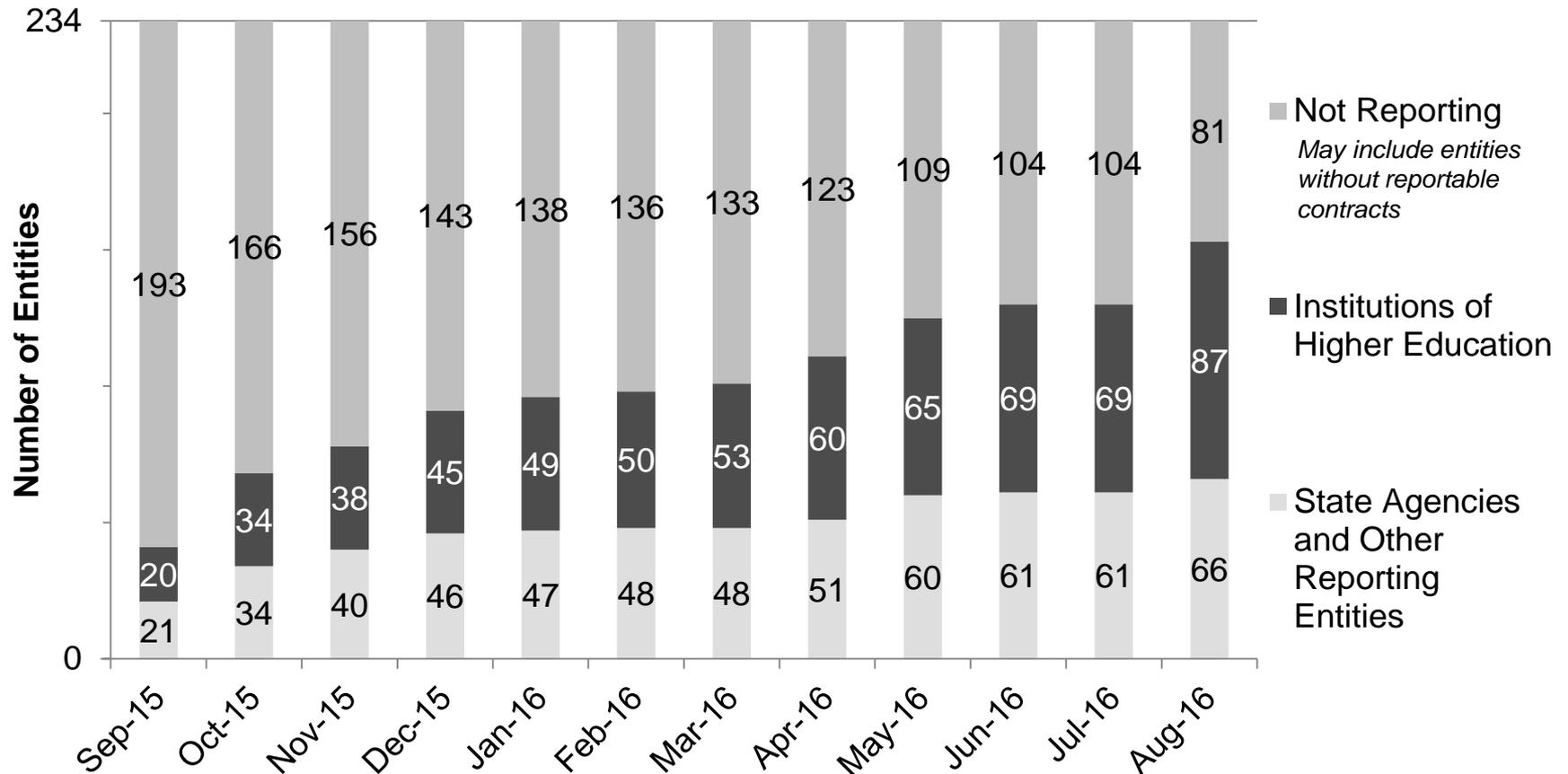
**Several provisions require agencies and institutions of higher education to report contracts to the LBB:**

TYPE OF CONTRACT	VALUE THRESHOLD	REPORTING TIMEFRAME	LOCATION
Professional or Consulting Services	> \$14,000	10 days after award	2254.006, 2254.0301 Government Code
Construction	> \$14,000	10 days after award	2166.2551 Government Code
Major Information Systems	> \$100,000	10 days after award	2054.008 Government Code
All	> \$50,000	End of fiscal year	GAA Article IX, Sec 7.04
Non-Competitive/Sole Source	> \$1,000,000	10 days before payment	GAA Article IX, Sec 7.12
Emergency	> \$1,000,000	48 hours after payment	GAA Article IX, Sec 7.12
All	> \$10,000,000	10 days before payment	GAA Article IX, Sec 7.12

*Note: The Government Code requirements are subject to numerous exceptions and exemptions, However, the GAA provisions apply to all entities receiving appropriations, regardless of method of finance or source of funds used for the contract.*

# Contract Reporting Trends: LBB

## Overall LBB Contract Reporting Compliance



# Contract Reporting Trends: SB 20

**SB 20 requires state agencies and Institutions of Higher Education to post the following on their individual agency websites:**

- Contract list with signed contract documents
- Solicitation (RFP) documents for competitively-procured contracts
- List of non-competitively procured contracts, along with the statutory justification for each non-competitive procurement
- Contract management and risk management guide

# LBB Contract Reporting

**LBB staff work to improve reporting compliance in a number of ways:**

- Conducting quality control reviews of database submissions
- Partnering with the Texas Comptroller of Public Accounts
- Providing on-site training to agency staff
- Reviewing reporting requirements for opportunities to increase efficiency

# LBB Staff In-Depth Reviews

## **Contracts within the following GAA Articles have been reviewed:**

- Article I (OAG, SORM, SOS, Preservation Board)
- Article II (HHSC, DSHS, DFPS)
- Article III (TAMU, UT)
- Article V (DPS, TDCJ, TMD)
- Article VI (TDA, RRC)
- Article VII (TxDOT, TLC)

Reviews were driven by various risk factors, including project cost, complexity, growth over time, and issues identified by other oversight entities.

# Quality Assurance Team

LBB contract oversight supports work of the Quality Assurance Team (QAT).  
QAT consists of representatives from the LBB, the SAO, and DIR.

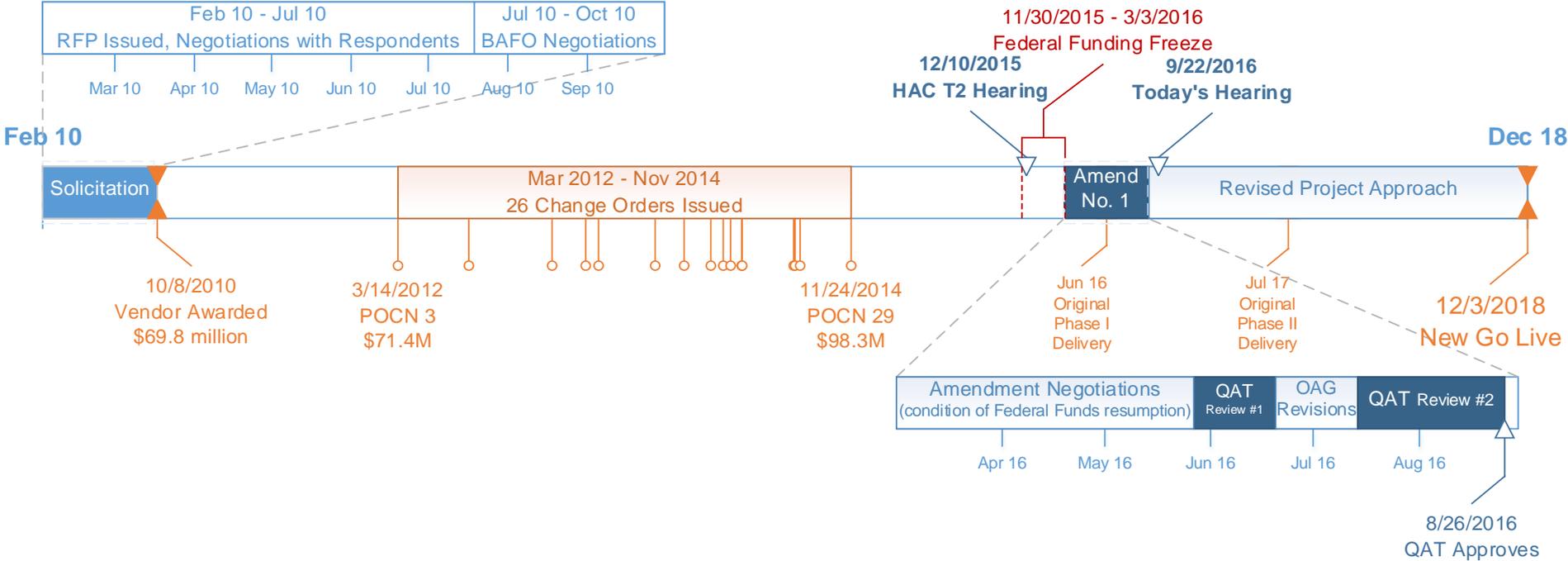
**QAT monitors information resource projects whose development costs exceed \$1 million, or as designation by the Legislature.** Monitoring includes:

- Reviewing project risks and approving the expenditure of appropriated funds
- Reporting to state leadership on the status of projects
- Requesting detailed project information, Framework deliverable updates, audits, or assistance as necessary
- Reviewing and approving of contract amendments whose costs exceed 10 percent of the contract amount

**QAT currently monitors 76 major information resources projects representing \$1.4 billion.**

# Case Study: OAG T2 Contract

## TIMELINE OF ACCENTURE T2 DDI CONTRACT



# Case Study: T2 Amendment Review

QAT partnered with the former LBB Contracts Oversight Team to leverage contracting expertise which allowed for a more in-depth QAT review of the contract amendment.

**Working with OAG staff, QAT review of the T2 Amendment resulted in several risks being mitigated:**

- Contract terms and conditions were amended to provide increased protections for the state;
- Payments to the vendor are now tied closer to project deliverables;
- A portion of the payment for federal certification support is contingent on successful federal certification (\$285,000 out of \$850,000);
- Penalties were established for late delivery of project milestones.

# Case Study: T2 Amendment Review

## Lessons Learned and The Way Ahead: The Contract Oversight and Technology Team

- The project monitoring framework and amendment approval function of QAT benefits from detailed reviews of contracts.
- This type of contract-specific review enhances fiscal oversight over previously project-oriented QAT reviews.
- As of September 1, 2016, the LBB Major Information Systems (MIS) team, including the LBB QAT representatives, merged with the former Contracts Oversight Team (COT), to form the Contract Oversight and Technology Team (COT2).
- This team will leverage expertise from both contracting and MIS teams to bring increased oversight to large-scale IT projects, using the success of T2 as a model.

# Contracting Risk Trends

## **Preliminary COT2 observations following initial contract reviews and interaction with agencies:**

- Agencies and institutions of higher education conflate the contract posting requirements of SB 20 with other statutory and GAA contract reporting requirements.
- Agencies do not always have ready access to documentation related to a vendor's selection, notably "best value" standards and selection criteria.
- Risk to the state is often introduced during the solicitation and contract formulation phases of procurement.
- Amendments and Change Orders can introduce significant risk, leading to scope creep and cost increases.

# Contracting Risk Trends

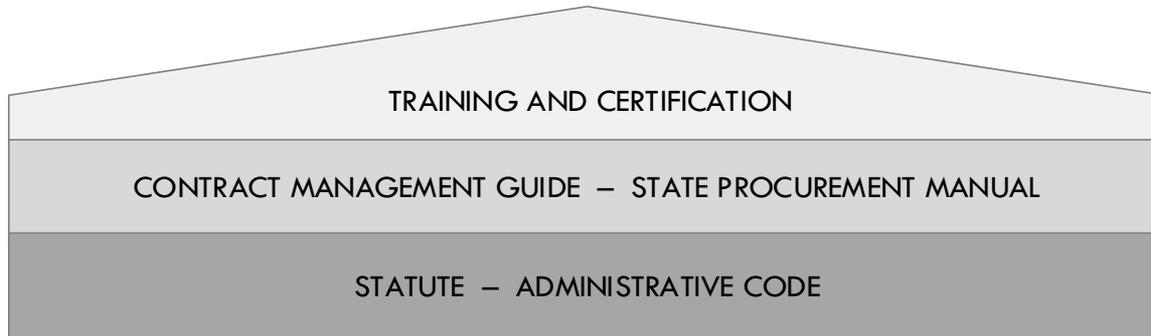
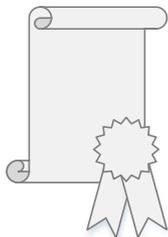
OVERSEE



CONTRACT

DELEGATED:	PLANNING	SOLICITATION	FORMATION	MANAGEMENT
I.T.	DIR (SOW \$50k-\$1m)	CAT (RFP > \$10m)	.....▶	QAT (Amend. > 10%)
SERVICES	.....▶		.....▶	.....▶
CONSTRUCTION	.....▶		.....▶	.....▶
COMMODITIES	.....▶		.....▶	.....▶

EDUCATE





## LEGISLATIVE BUDGET BOARD

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