



Texas Department
of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Contract Development Audit Report

22-07

Internal Audit Division

November 2022

Contract Development Audit Report, 22-07

Executive Summary

The Finance and Administrative Services Purchasing Section (Purchasing) at the Texas Department of Motor Vehicles (Department) is responsible for the procurement of goods and services and provides oversight of procurement activities, coordination of the Historically Underutilized Business Program, and contract administration.

The objective of the audit was to evaluate whether the Department has processes in place to ensure contracts are developed and reported in accordance with applicable requirements and whether statements of work are well defined.

WHAT WE FOUND

The audit found that the contract development processes are at a Level 3 – Established: The function achieves its purpose in an organized way, following established processes, but those processes may not be consistently followed or well communicated. The Internal Audit Division (IAD) issued three results to address the items identified.

- **Result #1:** The Department established a Procurement and Contract Procedures Guide but should ensure that the Guide and contract templates are updated periodically to be in alignment with requirements.
- **Result #2:** The Department has well-defined Statements of Work and maintains contract files; however, it should better document all contract forms.
- **Result #3:** The Department performs a monthly reconciliation to ensure that certain contracts are reported; however, it should track all contracts to ensure proper reporting.

WHAT WE RECOMMEND

IAD made eight recommendations to strengthen Purchasing's processes. These recommendations deal with the following areas:



Reviewing and updating the Purchasing Guide



Implementing review processes so that contract files are complete



Ensuring essential clauses are in all contracts



Establishing a centralized system to track all contract information for accurate reporting



Conducting and tracking training

Of the eight recommendations, 5 were rated as **HIGH** priority and 3 were rated as **LOW** priority.

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Background

The Finance and Administrative Services Purchasing Section (Purchasing) at the Texas Department of Motor Vehicles (Department) is responsible for the procurement of goods and services for the Department and provides oversight of procurement activities, coordination of the Historically Underutilized Business (HUB) Program, and contract administration. Procurements must comply with the Texas Government Code, the Texas Administrative Code, the Comptroller of Public Accounts State of Texas Procurement and Contract Management Guide, and the Department's Procurement & Contract Procedures Guide.

Purchasing performs procurement processes and provides oversight for the Department's procurements by coordinating with many internal stakeholders and providing quality service that is effective and efficient.

Purchasing includes ten total staff: one Purchasing Director, one Assistant HUB Coordinator, four Contract Specialists, and four Purchasers. Purchasing experienced high turnover from 2017 to 2021, with five different Purchasing Directors in the last four years. The current Purchasing Director has been in the role since August 2021. In fiscal year 2021, Purchasing processed approximately 1,700 purchase orders and contracts with its specialized staff.

The Internal Audit Division previously conducted two engagements related to Purchasing:

- Procurement and Contract Management Audit released in July 2019
- Procurement Measures Advisory Service released in February 2021

Audit Engagement Team

The audit was performed by Jason E. Gonzalez (Senior Internal Auditor) and Salem Chuah (Internal Audit Director).

Audit Results

Audit Results #1: The Department established a Procurement and Contract Procedures Guide but should ensure that the Guide and contract templates are updated periodically to be in alignment with requirements

The Department should periodically review and update its Procurement and Contract Procedures Guide.

In 2020, the Department revised its Procurement and Contract Procedures Guide (Department Guide) to ensure efficiency, effectiveness, and compliance with state and federal legislation. However, the Texas Comptroller of Public Accounts (CPA) implemented substantive changes to its Procurement and Contract Management Guide (CPA Guide) in 2021 and 2022, which were not reflected in the Department Guide.

In its 2022 release, the CPA Guide updated its Spot Purchases section which prohibits dividing purchases to avoid competitive bidding requirements and raised the threshold in which competitive bidding is not required from \$5,000 to \$10,000. The CPA Guide also included new requirements in the Cloud Computing Services section to include a Texas Risk and Authorizations Management Program (TX-RAMP) certification. Both of these requirements are sections that are included in the Department's Guide but have not been updated to reflect changes from the CPA Guide.

According to the CPA Guide, each agency must publish a contract management handbook that establishes consistent contracting policies and practices to be followed by the agency and that is consistent with the CPA Guide. Without periodically updating the Department's Guide, the Department may not include new changes that affect procurement processes.

The Department developed standard terms & conditions but did not include all essential clauses.

The Department developed and published standard terms and conditions to include in contracts. However, in a review of 30 contracts, certain essential clauses were not included:

- 2 (7 percent) of 30 did not include Indemnification, State Auditor's Right to Audit, and Child Support Obligation clauses;
- 20 (67 percent) of 30 did not include the Executive Head of a State Agency Affirmation clause;
- 18 (60 percent) of 30 did not include the Financial Participation Prohibition clause.

According to the CPA Guide, clearly stated terms and conditions are the most effective means of protecting the agency from unintended risk. It is a common practice for contracts to include standard terms and conditions that are often referred to as "boilerplate." Also, standard terms

and conditions are required for both contracts and solicitations. The CPA Guide further states that contract responses will not be considered without terms and conditions.

Not all Departmental contracts reference the Department's Standard Terms and Conditions and the Standard Terms and Conditions did not include 5 (24 percent) of 21 essential clauses that must be present in all contract types.

Executing contracts without all essential clauses increases the risk of liability for the Department. Purchasing recognizes the need to update its standard terms and conditions but has been limited in this effort due to staffing capacity.

The Department conducted contract development and monitoring training; however, it should perform training more frequently.

In June 2021, the Department conducted four contract monitor trainings. While the training curriculum stated that Purchasing will assist the Divisions with contract development, detailed contract development guidance was not included in the materials. In a Department survey of contract monitors, survey participants stated there is limited understanding of the contract development process along with a desire for contract development training (see Figure 1 below).

Figure 1: Survey Responses



Training/Guidance/Collaboration – 3 (8 percent) of 38 survey comments stated the Department should provide training. Additionally, 12 (32 percent) of 38 survey comments indicated that Purchasing can establish better templates and guidelines to improve the contract development process. Another 10 (26 percent) of 38 survey comments indicated Purchasing could better communicate and collaborate throughout the purchasing cycle. These elements could be incorporated into the training curriculum.



Contract Development – 11 (33 percent) of 33 survey respondents stated they had a limited understanding of the contract development process.

The Department Guide states that Purchasing will provide periodic training to Department staff who administer and monitor contracts to ensure compliance and quality assurance. Purchasing's training curriculum also requires Department contract monitors to attend internal training annually.

Current contract training focuses on the Procurement Cycle's Contract Management/Monitoring. However, contract monitors may have contract development responsibilities, such as requisition responsibilities and evaluation criteria development. Divisional misunderstanding or lack of understanding of contract development processes could cause process inefficiencies.

Recommendations

1. The Department should update its Procurement and Contract Procedures Guide to ensure it is in alignment with the State of Texas Procurement and Contract Management Guide as published by the Texas Comptroller of Public Accounts (**LOW**).
2. The Department should ensure that it establishes a process to periodically review its Procurement and Contract Procedures Guide so that it meets Department needs (**LOW**).
3. The Department should evaluate and update its Standard Terms and Conditions to include all essential clauses from the Procurement and Contract Management Guide as published by the Texas Comptroller of Public Accounts (**HIGH**).
4. The Department should update its contract monitor training to be more comprehensive and establish a schedule to conduct annual training. The Department should identify all contract monitors and track contract monitors to ensure annual training is taken (**HIGH**).

Audit Results #2: The Department has well-defined Statements of Work and maintains contract files; however, it should better document all contract forms.

Department contracts include well-defined Statements of Work (SOWs).

As part of the solicitation and procurement process, some contracts require the development of a Statement of Work (SOW), which describes the work requirements for a specific project along with its performance and design expectations. During the contract development process, the Department consistently developed SOWs that incorporated sections from industry best practices.

According to the Texas Government Code Section 2262.051(d)(1), contract design should ensure contracts protect the interests of the State. Auditors identified 9 best practice sections in SOWs across 11 different federal and state entities. Three examples of the nine best practice SOW sections include:

- A defined Project Scope which defines the total amount of work needed to complete a project. A defined scope is important because it defines the boundaries of what will and won't be part of the project work.
- Defined Deliverables document the expected outcome of provided services. Defined deliverables are important as they are often used to evaluate vendor performance.
- A defined Period of Performance Schedule which includes incremental deadlines for completing work. A defined schedule should ensure products or services are received timely.

In 30 contracts for review by auditors, the contract sample included 11 contracts that required an SOW. Auditors determined whether industry best practice attributes were included in the SOWs and found all contracts incorporated SOW best practice sections. For example, the Department's NEMO-Q and Physical Security contracts included detailed information in the SOW sections (see Figures 2 and 3 below).

Figure 2: Nemo-Q Contract compared to SOW Best Practices

SOW Best Practice Element	Example of Content in Contract
Project Scope	<p>The contract defines requirements to develop an interactive customer queue management system within all Regional Service Centers (RSCs).</p> <p>The developed solution will provide customer routing, collect information, and integrate with digital media applications.</p>
Defined Deliverables	<p>The contract outlines deliverable expectations which include the product's impact on bandwidth at all RSCs. It stated that business processes or staffing would not be impacted during or by the implementation.</p>

SOW Best Practice Element	Example of Content in Contract
	The contract also defined expectations that the vendor shall provide onsite replacement hardware and defined that the end product shall include customer feedback functionality.
Period of Performance Schedule	The schedule included project implementations and installations to be completed in one year, with ongoing maintenance, support and upgrades for up to four years.

Figure 3: Statewide Facility Physical Security Contract compared to SOW Best Practices

SOW Best Practice Element	Example of Content in Contract
Project Scope	Contract defines requirements for hardware and software maintenance. It also stated that the vendor will provide 24-hour monitoring of system operations and all alarm activations for all Department facilities.
Defined Deliverables	<p>The contract had clear operational and physical delivery expectations. Operational requirements included 24-hour vendor monitoring of security operations.</p> <p>The contract also included product deliverable expectations which included:</p> <ul style="list-style-type: none"> Physical, intrusion, and fire alarm system installation; Onsite control panels; Perimeter entrance/exit badge reader and door security installation.
Period of Performance Schedule	The schedule required hardware and software maintenance completion within one year.

Contract files included most verification documents but should ensure that the [Historically Underutilized Business review and applicable contract forms are also maintained.](#)

While the Department maintained contract files, not all files consistently contained required documentation.

Contract Vendor Verification Documents: In 28 (93 percent) of 30 contracts tested, contracts included most verification documents. However, in one contract file, there was no documentation of the CPA Debarred Vendor List verification, CPA Boycott Israel Check, Warrant Hold Status Check, or Franchise Tax Status Check. In another two contract files, there was no documentation to show the System Award Management Vendor Check was performed.

According to the CPA Guide, agencies must review the contents of the contract file to ensure that all documents such as interested party disclosures and federal databases checks are included in contract files. Incomplete vendor verification could lead to the Department completing contracts with ineligible vendors.

Historically Underutilized Business (HUB) Review: The HUB Coordinator review was not documented in any of the 30 contract files reviewed. While not all 30 contracts required

submission of HUB Subcontracting Plans, the Department did not document the justification for not performing the HUB review. Purchasing acknowledged the absence of documentation and is planning to implement process improvements to ensure reviews are documented.

Based on the CPA Guide, any solicitation with a value of \$100,000 or more must consider if there are probable HUB subcontracting opportunities. Also, the Department Guide states that the HUB Coordinator and Assistant HUB Coordinator will oversee each Department procurement over \$5,000 which includes the HUB Subcontracting Plan requirement. Completing and documenting HUB reviews helps to ensure that the Department meets state requirements in making a good faith effort to assist HUBs.

Conflict of Interest Forms and Nepotism Disclosure Forms: Four (80 percent) of five contract files did not have Nepotism Forms and Non-disclosure Conflict of Interest forms completed.

The CPA Guide also states each state agency employee or official who is involved in procurement or in contract management for a state agency shall disclose to the agency any potential conflict of interest specified by state law or agency policy that is known by the employee or official with respect to any contract with a private vendor or bid for the purchase of goods or services from a private vendor by the agency. Completing the disclosures is important to ensure that the process for selecting a vendor is objective and that vendors are not being awarded a contract based on personal relationships.

Purchasing's checklist includes all elements listed above but the current review process did not consistently ensure that the verification, review, and forms are documented. Also, staff turnover has impacted HUB review coordination.

Recommendations

5. The Department should review processes and the procurement guide to ensure solicitation, evaluation, and contract award documentation are included in contract files. The Department should ensure contract files include required vendor verification documentation and conflict of interest documentation (**HIGH**).
6. The Department should ensure contract files include documentation on the Historically Underutilized Business (HUB) Coordinator review or justification for why the review is not needed (**LOW**).

Audit Results #3: The Department performs a monthly reconciliation to ensure that certain contracts are reported; however, it should track all contracts to ensure proper reporting.

The Department should enhance compliance with reporting requirements.

The Department established a monthly reconciliation process to ensure that contracts with current expenditures and encumbrances of \$50,000 or greater are reported to the Legislative Budget Board (LBB) as required. However, the monthly reconciliation process does not take into consideration the maximum value of a contract in fulfilling reporting requirements. As a result, auditors could not determine if all contracts are being reported to the LBB if current expenditures and current encumbrances have not reached the \$50,000 or greater threshold.

According to the LBB, all contracts exceeding \$50,000 must be reported within 30 days of award or modification. The value thresholds for reporting contracts are based on the maximum contract value which is defined as the value of the contract, amendments, and all extensions or renewals even if not exercised. This definition is different from the current contract value, which is defined as the value of the contract, any amendments, and any exercised extensions or renewals. In other words, the maximum contract value is the total amount both currently and *potentially* obligated compared to the current contract value which includes only the amount currently obligated.

For example, assuming a professional services contract has a value of \$40,000 each year for an initial term of one year with two options to extend the contract by one year each which are exercised, the Department would only report to the LBB in years two and three with the current and maximum values matching. However, given the LBB guidelines, the contract should be reported in year one. Figure 4 below shows the Department’s current process in comparison to LBB’s process.

Figure 4: Department’s LBB Contract Reporting Process compared to LBB Process

Year	Current Process		LBB Process	
	Current Value	Maximum Value	Current Value	Maximum Value
Year One	\$40,000	\$40,000	\$40,000	\$120,000
Year Two	\$80,000	\$80,000	\$80,000	\$120,000
Year Three	\$120,000	\$120,000	\$120,000	\$120,000

Auditors also tested the data entry of the contract number, vendor name, and award date fields in the LBB Contracts Database (Database). The Department accurately reported 29 (97 percent) of 30 contracts tested for contract number and vendor name. One contract had an incorrect contract number and vendor name. Staff stated that this is due to a vendor name change. Also, 17 (57 percent) of 30 contracts had incorrect award date fields in the Database when compared with information in the Centralized Accounting and Payroll/Personnel System.

Purchasing experienced significant staff turnover in recent years which could have resulted in inconsistent reporting processes. Not reporting complete or accurate contract information may prevent the LBB from effectively monitoring compliance with requirements and conducting analysis on contracts to identify risks.

Recommendations

7. The Department should align its reporting procedures to ensure complete and accurate reporting of required contracts to the Legislative Budget Board (**HIGH**).
8. The Department should maintain contract information (e.g., contract award date, contract end date, current expenditures, current contract value, and maximum contract value) in a centralized system and explore opportunities to use a database to manage its contracts (**HIGH**).

Appendix 1: Objectives, Scope, Methodology, and Rating Information

Objectives

- To determine whether the Department has processes in place to ensure contracts are developed and reported in accordance with applicable requirements; and,
- To determine if the statement of work is well defined.

Scope and Methodology

The scope of the audit included contracts from September 2021 to August 2022.

Information and documents reviewed in the audit included the following:

- Interviewed Purchasing and Department employees
- Interviewed LBB Contract Oversight team
- Selected 30 contracts with values greater than \$50,000; included service contracts, information technology contracts, and Regional Service Center contracts
- Reviewed contract files to ensure required documents are maintained
- Conducted survey of 99 Departmental contract monitoring personnel
- Reviewed contract monitor training curriculum developed by Purchasing
- Reviewed Texas Government Code, Chapters 656, 2155, 2251, 2252, 2261, and 2262
- Reviewed Department's Procurement and Contract Management Guide
- Reviewed State of Texas Procurement & Contract Management Guide Version 2.1
- Reviewed LBB reporting requirements and Frequently Asked Questions

This audit was included in the FY2022 Second Six Month Internal Audit Plan. IAD conducted this performance audit in accordance with Generally Accepted Government Auditing Standards and in conformance with the Internal Standards for the Professional Practice of Internal Auditing. Those standards require that IAD plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on our audit objectives. IAD believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives

Report Distribution

In accordance with the Texas Internal Auditing Act, this report is distributed to the Board of the Texas Department of Motor Vehicles, Governor's Office of Budget, Planning, and Policy, Legislative Budget Board, and the State Auditor's Office.

Ratings Information

Maturity Assessment Rating Definition

IAD derived the maturity assessment ratings and definitions from the Control Objectives of Information and Related Technologies (COBIT) 5 IT Governance Framework and Maturity Model, the Enterprise Risk Management (ERM) Maturity Model, and the ISACA Maturity Model. The model was adapted for assurance audit purposes and does not provide a guarantee against reporting misstatement and reliability, non-compliance, or operational impacts. The ratings and definitions are provided in Table 1.

Table 1. Maturity Assessment/Process Capability Rating Definitions

Rating	Name	Definition
1	Minimal	The function may have policies and procedures established for some activities but relies on intuition and handles issues on an ad-hoc basis.
2	Informal and Reactive	The function achieves its purpose with basic processes and activities that are not very organized or followed.
3	Established	The function achieves its purpose in an organized way, following established processes, but those processes may not be consistently followed or well communicated.
4	Predictable	The function fully achieves its purpose, is well-defined, and its performance is quantitatively measured. The function is fully integrated within the Department, the function has full resources to achieve business objectives, and policies and procedures are regularly improved.
5	Optimized	The function fully achieves its purpose, is well-defined, and its performance is quantitatively measured. There is continuous improvement that is pursued, and technology is heavily leveraged to automate workflow and improve quality and effectiveness of processes.

Recommendation Rating Criteria

The IAD rates audit recommendation’s priority (i.e., HIGH or LOW) to help the Department Board and executive management identify the importance of the recommendation. The criteria for Low and High Priority are documented in Table 2.

Table 2. Recommendation Priority Criteria

Priority	Criteria
Low	<ul style="list-style-type: none"> • Requires only a written policy or procedure update • Is within an acceptable range of risk tolerance for the Department • A non-reoccurring or regulatory external audit issue
High	<ul style="list-style-type: none"> • Executive Management or Board Request • Not within an acceptable range of the risk tolerance of the division • New process had to be developed to address recommendations • Regulatory impact or reoccurring issue

Appendix 2: Survey Results

Survey was sent to 99 Department contract monitors. Responses received from 55 (56%) of 99 survey recipients between 9/12/2022 and 9/20/2022.

Question 1: Have you participated with the procurement team in solicitation development (Statement of Work and Needs Assessment) and the review of contract documents?

	Total	Percentage
True	34	62%
False	17	31%
I don't know or I'm not sure	4	7%
Grand Total	55	100%

Question 2: Was the Office of General Counsel involved during contract development?

	Total	Percentage
True	30	56%
False	7	13%
I don't know or I'm not sure	17	31%
Grand Total	54	100%

Question 3: Have you been instructed to inspect and approve the products and/or services by submitting a written document accepting the deliverables?

	Total	Percentage
True	23	43%
False	20	38%
I don't know or I'm not sure	10	19%
Grand Total	53	100%

Question 4: Did you receive the expected deliverables?

	Total	Percentage
True	36	68%
False	5	9%
I don't know or I'm not sure	12	23%
Grand Total	53	100.00%

Question 5: What can the Department do to improve the contract development process?

Establish Template/Guidelines	12	32%
Shorten Review Time	9	24%
Communicate and Collaborate	10	26%
Provide Training	3	8%
Have Dedicated/More Staff	2	5%
Implement Technology	2	5%
Grand Total	38 ¹	100%

¹ There were 32 survey respondents to this question. Responses in the table above do not add up to 32 because some responses may contain comments that deal with more than one category.

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Question 6: What are obstacles you have faced during the contract development process?		
Length of time – legal review and overall process	16	42%
Limited understanding of the process	11	29%
Limited communication	4	11%
Assignments unclear/No clear lines of responsibility	7	18%
	38 ²	100%

Question 7: How well do contract stakeholders collaborate on contract development? Please rate on a scale of 1 through 5 (1 = do not collaborate and 5 = collaborate fully throughout the contract development)?		
Rating 1 = Do Not Collaborate	7	14%
Rating 2	7	14%
Rating 3	15	31%
Rating 4	13	27%
Rating 5 = Collaborate Fully Throughout the Contract Development	7	14%
	49	100%

² There were 32 survey respondents to this question. Responses in the table above do not add up to 32 because some responses may contain comments that deal with more than one category.

Appendix 3: Management Response and Action Plan

Finance and Administrative Services provided the following response:

The Finance and Administrative Services division (FAS) has reviewed the Contract Development Audit Report, and provides this management response, in addition to the individual responses provided in the table below.

Throughout the process of selecting and reviewing contract files, the Internal Audit (IA) division and Audit Engagement Team stayed in continuous contact and communication with Purchasing staff. We appreciate their efforts to keep FAS staff and management informed of developments throughout the process.

As reflected in the table below, FAS agrees with all the recommendations made by the Audit Engagement Team; however, we would like to comment on the HUB Coordinator review in recommendation 6. While we agree with the recommendation to document the HUB review [in the Contract file], we want to clarify our commitment to supporting and utilizing Historically Underutilized Businesses, which is evidenced by the HUB activities in which the department participates. The TxDMV has a HUB Coordinator who has done exceptional work in developing HUB opportunities for the department, such that we regularly exceed the statewide purchasing goals in multiple HUB categories and continuously seek to improve our performance in this area. The types of purchases that do not allow for a HUB Coordinator review include, but are not limited to, lease agreements procured on behalf of TxDMV by the Texas Facilities Commission, contracts with WorkQuest through the State Use Program, contracts procured by the Comptroller's office and the Department of Information Resources on behalf of state agencies, and contracts with state print shops through the State Print Shops portal. Purchasing staff acknowledges that its procedures document is not clear on what types of procurements should be included in the HUB review process, but staff are diligent in reviewing all eligible purchases for possible HUB participation.

Ultimately, FAS agrees with the overall recommendations and spirit of the report; that its processes and procedures should be reviewed and updated as necessary to ensure accurate and efficient contract development and reporting. FAS has already begun, and will continue, to review and update its Standard Terms and Conditions, templates and processes and procedures to ensure compliance with state purchasing guidelines. We appreciate the collaboration and efforts of the IA staff in reviewing the department's contracts and look forward to working alongside them through completion of the initiatives listed in the table below.

Recommendation	Responsible Department and Section/Unit	Department Response	Completion Date
1. The Department should update its Procurement and Contract Procedures Guide to ensure it is in alignment with the State of Texas Procurement and Contract Management Guide as published by the Texas Comptroller of Public Accounts (LOW) .	Finance and Administrative Services Division, Director of Purchasing and Purchasing Lead	The Department agrees with the recommendation and intends to review and update the Procurement and Contract Procedures Guide.	June 1, 2023
2. The Department should ensure that it establishes a process to periodically review its Procurement and Contract Procedures Guide so that it meets Department needs (LOW) .	Finance and Administrative Services Division, Director of Purchasing	The Department agrees with the recommendation and will establish a process for the periodic review of the Procurement and Contract Procedures Guide on a biennial basis, or when new and substantive laws, rules or purchasing guidelines are implemented before the regularly-scheduled biennial review.	June 1, 2023
3. The Department should evaluate and update its Standard Terms and Conditions to include all essential clauses from the Procurement and Contract Management Guide as published by the Texas Comptroller of Public Accounts (HIGH) .	Finance and Administrative Services Division, Director of Purchasing and Purchasing Lead	The Department agrees with the recommendation and is already in the process of updating its Standard Terms and Conditions. The updated version of the Standard Terms and Conditions will align with the Comptroller's required and recommended clauses.	March 1, 2023
4. The Department should update its contract monitor training to be more comprehensive and establish a schedule to conduct annual training. The Department should identify all contract monitors and track contract monitors to ensure annual training is taken (HIGH) .	Finance and Administrative Services Division, Director of Purchasing, Purchasing Lead and Purchasing staff	The Department agrees with the recommendation and will update its contract monitoring training and establish a schedule to conduct annual training for all contract monitors.	March 1, 2023

Recommendation	Responsible Department and Section/Unit	Department Response	Completion Date
<p>5. The Department should review processes and the procurement guide to ensure solicitation, evaluation, and contract award documentation are included in contract files. The Department should ensure contract files include required vendor verification documentation and conflict of interest documentation (HIGH).</p>	<p>Finance and Administrative Services Division, Director of Purchasing and Purchasing Lead</p>	<p>The Department agrees with the recommendation and will ensure current processes are enhanced and followed. This will be included in the update to the Procurement and Contract Procedures Guide.</p>	<p>June 1, 2023</p>
<p>6. The Department should ensure contract files include documentation on the Historically Underutilized Business (HUB) Coordinator review or justification for why the review is not needed (LOW).</p>	<p>Finance and Administrative Services Division, Director of Purchasing and Assistant HUB Coordinator</p>	<p>The Department agrees with the recommendation and is in the process of establishing and implementing a HUB determination form for use by all Purchasing staff. Additionally, this will be included in the update to the Procurement and Contract Procedures Guide, along with clarification of those instances in which a HUB Review is not required.</p>	<p>June 1, 2023</p>
<p>7. The Department should align its reporting procedures to ensure complete and accurate reporting of required contracts to the Legislative Budget Board (HIGH).</p>	<p>Finance and Administrative Services Division, Director of Purchasing and Purchasing Lead</p>	<p>The Department agrees with the recommendation; however, it should be noted that LBB requirements and instructions on this topic have been contradictory and difficult to interpret. Prior to the latest information from the LBB, Purchasing staff were reporting contracts to the LBB as it understood the requirement. In light of the latest direction from the LBB, Purchasing staff will ensure the clarified reporting requirement is included in the update to the Procurement and Contract Procedures Guide. The Department will also reach out to the LBB for potential training opportunities on reporting requirements.</p>	<p>June 1, 2023</p>

Recommendation	Responsible Department and Section/Unit	Department Response	Completion Date
<p>8. The Department should maintain contract information (e.g., contract award date, contract end date, current expenditures, current contract value, and maximum contract value) in a centralized system and explore opportunities to use a database to manage its contracts (HIGH).</p>	<p>Finance and Administrative Services Division, Director of Purchasing and Accounting Operations</p>	<p>The Department agrees with the recommendation and will explore possible options for a centralized contract database to track contract information.</p>	<p>December 1, 2023</p>