



Texas Department of Information Resources

CONTRACT MANAGEMENT HANDBOOK



The information contained in this Contract Management Handbook complies with Texas Government Code 2261.256, which requires each state agency to develop and comply with purchasing accountability and risk analysis procedures. This handbook identifies contracts that require enhanced contract monitoring or immediate attention of contract management staff and establishes clear levels of purchasing accountability and staff responsibilities related to purchasing.

Additionally DIR contract procedures are drafted with the State of Texas Contract Management Guide (hereinafter the "Guide") as a reference and with the intent to use as much of the "best practices" contained therein as applies to the Cooperative, Enterprise and internal contracts that DIR establishes. To the extent any procedures are at variance with the Contract Management Guide, there are practical reasons for the variance. Most of the Cooperative Contracts are commodity contracts as opposed to a deliverable-based project type contracts. For example, the typical DIR Cooperative Contract allows a Customer to place an order directly with the Vendor, the Vendor ships the item or items to the Customer, and invoicing and payment ensue. Therefore, some of the steps outlined in the Guide do not apply or are not essential to a successful contract of this variety. Finally, DIR uses a template as the Contract. These templates have been carefully drafted and are not generally open to extensive renegotiation with Vendors. The few alternative language items allowed are highlighted as exceptions to the standard language in the contract document. The template is attached to each solicitation so that Vendors understand DIR's contract terms and conditions when developing their proposals. DIR has found this disclosure of the Contract as a part of the procurement process speeds the contract award process.

Accountability through risk analysis

Planning is the first and a very important step in Contract Management. Better planning results in a more successful Contract. A well-formed solicitation document results in better responses and more competition. A clear statement of demand/need and effective research gathering makes the Contracting Team more knowledgeable about the subject matter of a contract. Planning focuses the Contract Manager on who, why, what, how and when of the Procurement. *Who* establishes the Contract Management Team. *Why* helps to determine the need for a Procurement. *What* focuses on the Product or Service to be procured. *How* is the procurement method and the Contract model. *When* establishes the proper timeline.

According to the Guide, “each contract management initiative should include an executive sponsor, a contract manager, purchasing department staff and program staff to assist in the contract management process. The extent and degrees of executive sponsorship and participation should be directly related to the level of risk associated with the procurement.”

These DIR Procedures state that the Contract Management team shall be composed of a Contract Manager, Enterprise or Contract and Vendor Management Manager, Contracts Attorney, Purchasing Staff, Division Director, and the Executive Director (or designee). Possible involvement by the Executive Director of the Department of Information Resources will be dependent on the contract initiative itself.

According to the Guide, risk management is an important step in the planning phase. In the planning phase, the DIR Contract Manager will conduct a certain amount of risk analysis and work to mitigate that risk by adhering to the procedures established in the DIR Contract Management Procedures.

Contract Demand/Need establishes the two types of Needs Assessment that DIR Contract Managers will deal with, internal and external. Internal demand would be expressed through DIR Management. External demand would be expressed through outside forces, Vendors or Customers.

Success of resulting contracts is based on effective research performed up front during the planning stage. The DIR Procedures identify the method for gathering research such as description of the product/service, how the product or service is sold, who sells the product or service, pricing offered to other states, potential use by Customers and potential cost avoidance.

According to the Guide, well-formed objectives will help keep the contracting process focused and on track. Any resulting recommendations from the New Product Service Request initiated in

the DIR Procedures become DIR Contract Management contracting objectives and purpose.

In addition to the research DIR Contracts Managers will rely on the experience of having done these types of procurements repeatedly. DIR staff also review solicitations and contracts put into place by other states, other Texas state cooperatives, and the federal government.

For the Cooperative Contracts, the standard DIR business model is a direct model, whereby customers deal directly with the Vendors. DIR puts the Contract into place and the Customers work directly with the Vendor under the terms of the Contract to obtain products and services.

The Guide indicates that during the Planning stage a cost estimate should be developed. Based on the research done in the Planning stage, the Contract Manager should have estimates on how much the product/service should cost Customers. Since DIR Cooperative Contracts are awarded on an indefinite quantity basis with no minimum guarantees of any purchase, DIR does not perform this cost estimate exercise as an internal cost item. However DIR does perform cost avoidance calculations for its Contracts, which benchmarks DIR prices against pricing achieved by other purchasing cooperatives and demonstrates savings to the taxpayers generated by use of the DIR Contracts. Deliverables Based Information Technology Services Contracts.

Enhanced Monitoring of Contracts

The DIR Contract Management staff determine which contracts require enhanced monitoring through the use of a risk assessment matrix (Appendix A). In making the determination, the matrix considers factors such as:

- The contract type;
- The contract amount;
- Risk;
- Special circumstances of the project; and
- Scope of goods or services provided.

Enhanced contract monitoring reports will be provided to the TSO Director, Chief Operations Officer, and, when applicable, the Executive Director or the DIR Board.

Purchasing Accountability and Responsibilities

The following are a list of the responsibilities of staff across the agency regarding purchases. Individuals authorized to obligate the agency are identified in DIR's Delegation Matrix for Contracts and Amendments (Appendix B)

Purchasing Staff

- Establish standard DIR procedures for procurement of products and services in accordance with state statutes, Comptroller rules, and DIR policies.
- Within the agency purchasing process, there are built-in separation of duties and additional authorizations.
- Perform all departmental purchases, or authorize the delegation thereof.
- The Purchaser works independently to procure routine agency needs and consults with other agency personnel with relevant expertise for more complex purchases.
- The Purchaser plans, organizes, coordinates, and prepares specifications for procurement documents.
- Assist DIR employees with the various types of purchases.

Contract Staff

- Establish standard DIR procedures for procurement of products and services in accordance with state statutes, Comptroller rules, and DIR policies.
- Within the agency Contracting process, ensure there are built in separation of duties and multiple levels of authorizations
- Perform all departmental contracting functions in accordance with DIR policies.
- The Contract Staff works independently to procure more complex purchases.
- The Contract Staff handles all aspects of the contract process.

All DIR Employees

- Anticipate needs well in advance to allow time for purchase requests to be processed and products to be delivered.
- Ensure that products and services are requisitioned according to agency guidelines.
- Ensure all documents are handled by the appropriate procurement or contract staff, and that no obligation is made outside those who are authorized on behalf of the agency to make such obligations.

Requesting department is responsible for contract initiation including:

- Consulting with the Technology Sourcing Office and the Office of the General Counsel when necessary;
- Identifying needs;
- Planning;
- Preparing risk assessment with assistance of Contract Manager (reference **Appendix A**);
- Developing detailed statement of work, deliverables and performance measures;
- Identifying DIR Policies that apply to services being performed;
- Assisting Contracts Department with contract development; and
- Assisting with contract negotiations, when needed.

Requesting department, after contract has been awarded, will:

- Apply specialized knowledge, skills, and techniques to support program activities;
- Administer and manage daily operations of required services established in contract. The three elements managed are cost, time, and scope;
- Manage performance as required in the contract. May require involvement of Contract Manager should a dispute arise;
- Ensure provider meets required performance objectives defined in the contract;
- Oversee delivery and receipt of services;
- Analyze invoices for contractual compliance;
- Certify services were performed and deliverables met; and
- Approve invoice for payment.

Contract Management

All contracts must be processed by the Contracts Department. All DIR divisions are required to consult with the Contracts Department when a contract is anticipated.

1. **Contract Department** handles contract management. **Contract Manager** shall:
 - a. Conduct competitive solicitation processes as required, to select vendors/service providers based on best value standards;
 - b. Check Comptroller's Vendor Performance Tracking System (VPTS) to identify past performance issues before awarding contract or PO;
 - c. Process all contract documents and amendments including renewals;
 - d. Obtain required documentation;
 - e. Ensure appropriate terms, conditions and clauses are in each contract;
 - f. Negotiate final terms with other party;
 - g. Prepare and finalize contract documents;
 - h. Obtain legal review;
 - i. Obtain reviews and approvals from all stakeholders. Contract approval is accomplished by routing through CAPPs workflow;
 - j. Obtain signatures from all required parties. Contract documents are routed for signature in accordance with DIR Purchase Approval Matrix (Appendix B);
 - k. Enforce contract terms and manage actions of parties as governed by the terms of the contract;
 - l. Ensure DIR receives the services contracted for, at the quality level expected, at the time agreed to and for the price that was negotiated.
2. Ensure contracts are properly awarded in accordance with legal and statutory requirements and that the highest ethical standards are followed at all times;
3. Ensure integrity of DIR is maintain in all its business dealings;
4. Meet Certified Texas Contracts Manager (CTCM) standards; and
5. Certify all contracts have been entered into in accordance with the rules, statutes and Contract Management Guidelines established by Comptroller of Public Accounts.

DIR Risk Assessment Matrix (RAM)

The DIR Risk Assessment Matrix (RAM) is a tool used by contract staff to analyze contracts to identify areas of risk (the potential for loss, harm, or damage may occur due to errors or problems associated with contractors' performance). This tool also allows staff to identify specific areas that may need accelerated monitoring.

This tool should be used prior to: 1) awarding contracts from RFP/RFO proposals; 2) entering into new contracts with vendors; and 3) renewing existing contracts.

Risk factors are indicators that determine the risk of the contract or project objectives not being met.

The risk factors included in the DIR RAM include:

- Type of Contract purchase – what type of contract solicitation – competitive/non-competitive, Master Cooperative Contract; Enterprise Contract
- Payment Type/Structure – the type of budget included in the contract;
- The dollar amount of the contract;
- Essential Agency Function;
- Stability and Experience of Contractor's Key Management Staff;
- Percentage of Services Performed by Subcontractors;
- Compliance History;
- Past Programmatic Performance;
- Audit Outcomes;
- Number of years in business;
- Performance Measures;
- Deliverables; and
- Greater than \$1 million dollars – amount of financial reports required.

Additional risk factors should be added when appropriate for a contract.

Rate each contractor on the risk elements using the range of Low (score 1-3), Medium (Score 4-7), or High (Score 8-10). The form will add up the scores in the Overall Risk Score field. The range for the Overall Risk Scores are:

Low risk procurement:	0 – 48
Medium risk procurement:	49 - 112
High Risk Procurement:	113 – 160

APPENDIX A

The RAM should be completed for each new solicitation, however risk should continue to be assessed on an on-going basis throughout the contract period. A new RAM should be completed when risk conditions undergo a substantial change (e.g., contractor's management or ownership changes). Contract management and monitoring activities should be adjusted to focus on the riskiest contractors during the entire contract period.

#	Risk Factor	Risk Level - LOW	Risk Level - MEDIUM	Risk Level - HIGH	Justification/Comments	Risk Level Score
		Score 1-3	Score 4-7	Score 8-10		

Pre-set Risk Factors						
1	Type of Contract Purchase	Interagency, MOU or Interlocal	Contract Less than 25K	Consulting, Emergency, Sole Source, Proprietary, or Construction > \$25K		
2	Payment Type/ Structure	Fixed price or contingency	Rate or Fee for Services	Cost Reimbursement		
3	Total Dollar Amount for FY	Less than \$100K	\$100K to \$1 million	Over \$1 million		
4	Essential Agency Function	Contract services are not critical for meeting DIR's mission	Contract services are moderately essential to DIR's mission	Contract services are critical to DIR mission		
6	Stability & Experience of Contractor Key Management Staff	No recent change and significant experience	No recent change, but not significant experience; or recent change but significant experience	Recent change and not significant experience		
7	Percentage of Services Performed by Subcontractors	No Subcontractor involvement	Subcontractors account for 50% or less of contract work performed	Subcontractors account for more than 50% of contract work performed		
8	Compliance History	No issues of non-compliance	Moderate instances of non-compliance/ no history - never contracted with DIR before	Substantial finding of non-compliance		

9	Past Programmatic Performance	Met or exceeded all output and outcome measures	Met 75% or more of output and outcome measures	Met less than 75% of output and outcome measures		
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Risk Factors - Financial

10	Audit Outcomes	No audit required or no issues or finding in audit(s)	Moderate issues or findings in audit(s)	Substantial issues or findings in audit(s)		
11	Number of years in business	More than 5 years	1 year to 5 years	Less than 1 year		

Risk Factors - Contract

12	Performance Measures	Contract contains multiple defined and measurable performance measures	Contract contains at least one clearly defined or measurable performance measure	No performance measures included in contract		
13	Deliverables	Contract contains multiple deliverables that are clearly defined	Contract contains at least one clearly defined deliverable	No deliverables included in contract		
14	> \$1 million - Financial Reports required?	> \$1 million - substantial financial reports required	> \$1 million - minimal financial reports required	> \$1 million - no financial reports required		

					Overall Risk Score:	0
					Low risk procurement:	0-48
					Medium risk procurement:	49-112
					High risk procurement:	113-160

Summary of Risk Assessment:

Additional Risks:

Risk Mitigation Plan:

APPENDIX B

TEXAS DEPARTMENT OF INFORMATION RESOURCES APPROVAL MATRIX

Value of the Contract/Agreement/Work Order/Statement of Work (Contract) or Amendment Amount	Signature Authority	Examples of Contracts/Agreements
\$1 Million and greater	Interim Executive Director	Enterprise Contracts and Amendments (\$1M and >) Statements of Work (\$1M and >) Service Agreements (\$1M and >) Interagency Contracts (IAC)s (\$1M and >) Audit Contracts Outside Counsel Contracts
\$0 to \$999,999	CTS Division Director	Enterprise Contracts and Amendments (<\$1M) CTS, CCTS and NSOC Service Agreements CTS, CCTS and NSOC Statements of Work CTS, CCTS, and NSOC IACs with state agencies
\$0 to \$999,999	DCS Division Director	Enterprise Contracts and Amendments (<\$1M) DCS Service Agreements DCS Statements of Work DCS IACs with state agencies
\$0 to \$999,999	Chief Operations Officer	Enterprise Contracts and Amendments (<\$1M) Cooperative Contracts PPMO Statements of Work TSO Statements of Work Enterprise and Cooperative Contract Amendments to exercise a contract term extension
\$0 to \$999,999	Deputy Executive Director	Enterprise Contracts and Amendments (<\$1M) Audit Contracts (<\$1M) Outside Counsel Contracts (<\$1M)
\$0 to \$999,999	CISO, Security Division Director	Enterprise Contracts and Amendments (<\$1M) Security Service Agreements Security Statements of Work Security IACs with state agencies
\$0 to \$999,999	IRM, Digital Government Division Director	Enterprise Contracts and Amendments (<\$1M) Texas.gov, ITS, and ISO/COOP Service Agreements Texas.gov, ITS, and ISP/COOP Statements of Work Texas.gov, ITS, and ISO/COOP IACs with state agencies
\$0 to \$999,999	Chief Financial Officer	Enterprise Contracts and Amendments (<\$1M) Facilities, Finance, Purchasing and HR Service Agreements Facilities, Finance, Purchasing and HR Statements of Work Facilities, Finance, Purchasing and HR IACs with state agencies
\$0 to \$999,999	Chief Technology Officer	Enterprise Contracts and Amendments (<\$1M) TPPG and ESS Service Agreements TPPG and ESS Statements of Work TPPG and ESS IACs with state agencies

Value of the Contract/Agreement/Work Order/Statement of Work (Contract) or Amendment Amount	Signature Authority	Examples of Contracts/Agreements
\$0 to \$999,999	TSO Division Director	Agency Statements of Work