



An Audit Report on

Selected Contracts at the Commission on State Emergency Communications

July 2017
Report No. 17-041



Selected Contracts at the Commission on State Emergency Communications

Overall Conclusion

The Commission on State Emergency Communications (Commission) should strengthen certain contract oversight and planning processes, but it procured and formed the two contracts audited in accordance with most applicable requirements. The contracts audited were:

- A contract for upgrades to and maintenance of the Texas Poison Control Network (Poison Control Network contract).
- A contract for planning and managing testing in support of efforts to upgrade the **state's** 9-1-1 systems (9-1-1 Test Lab Services contract).

(See text box for information on both contracts audited.)

The Commission had documented processes for monitoring deliverables for both contracts audited. However, it did not always follow its monitoring processes. For example, the Commission did not consistently review and approve documents the contractors prepared that outlined the specific requirements for each deliverable prior to the contractors' beginning work. The Commission should also strengthen its processes for monitoring ongoing services for the Poison Control Network contract. For example, the Commission did not establish a performance standard to determine whether network optimization improvements, which are identified as a purpose of the contract, were met and maintained.

The Commission had an adequate payment review process for both contracts audited. All payments tested on both contracts were based on an approved invoice, priced the same as in the contract, and allowable per the terms of the contract.

The Commission procured and formed both contracts audited in accordance with most applicable requirements. However, it should improve certain contract planning processes. For example, the Commission did not retain documentation

Contracts Audited

The Commission on State Emergency Communications (Commission) is charged with administering the Statewide Poison Control Program and the State 9-1-1 Service Program. Auditors reviewed the following two contracts:

- The Texas Poison Control Network Optimization Project and Managed Services contract (Poison Control Network contract) with Vintage IT Services is for network hardware and software upgrades and maintenance. The contract began in February 2016 and will end in February 2020. The Commission valued the contract at \$968,827. As of November 2016, the Commission had paid the contractor \$133,426. The Poison Control Network contract is subject to legislation passed during the 84th Legislature (Regular Session), which provided additional requirements for state contracting effective September 1, 2015.
- The 9-1-1 Test Lab Project Services contract (9-1-1 Test Lab Services contract) with Luna Data Solutions, Inc. is for planning and managing call conversion and interoperability testing to support efforts to upgrade the **state's** 9-1-1 systems. The contract was procured through a Department of Information Resources' deliverables-based information technology services cooperative contract. The contract began in June 2015 and ended in March 2017. The total contract amount, including amendments, was \$2,815,000. As of November 2016, the Commission had paid the contractor \$1,787,498.

Sources: The Commission and the Legislative Budget Board's Contracts Database.

showing that it (1) performed an adequate risk assessment for either contract audited and (2) performed an adequate needs assessment or cost estimate for the 9-1-1 Test Lab Services contract. After the Commission awarded the 9-1-1 Test Lab Services contract, it had to initiate a change order that added deliverables and increased the contract amount from \$795,000 to \$2,815,000, an increase of 254 percent. Ensuring that it performs an adequate needs assessment could help the Commission reduce the need for such significant change orders.

The Commission should also improve its monitoring of data security. It had fully implemented one recommendation and partially implemented two other **recommendations from a prior State Auditor’s Office** audit.¹ Although the Commission included data security requirements in the Poison Control Network contract, it did not monitor the contractor’s compliance with those requirements. Auditors communicated other, less significant issues to Commission management separately in writing.

Table 1 presents a summary of the findings in this report and the related issue ratings. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Table 1

Summary of Chapters/Subchapters and Related Issue Ratings		
Chapter/ Subchapter	Title	Issue Rating ^a
1-A	The Commission Did Not Always Follow Its Processes for Monitoring Contractor Performance for Certain Deliverables	Medium
1-B	The Commission’s Monitoring of Ongoing Services on the 9-1-1 Test Lab Services Contract Was Adequate; However, the Commission Should Strengthen Its Monitoring of Ongoing Services for the Poison Control Network Contract	Medium
1-C	The Commission Had an Adequate Payment Review Process for Both Contracts Audited	Low
2-A	While the Commission Complied with Certain Contract Planning Requirements, It Should Strengthen Its Planning Process	Medium
2-B	The Commission Procured and Formed Both Contracts Audited in Accordance with Most Applicable Requirements	Low
3	The Commission Should Improve Its Monitoring of Data Security	Medium

^a A chapter/subchapter is rated Priority **if the issues identified present risks or effects that if not addressed could critically affect the audited entity’s ability to effectively administer the program(s)/function(s) audited.** Immediate action is required to address the noted concern and reduce risks to the audited entity.

A chapter/subchapter is rated High **if the issues identified present risks or effects that if not addressed could substantially affect the audited entity’s ability to effectively administer the program(s)/function(s) audited.** Prompt action is essential to address the noted concern and reduce risks to the audited entity.

A chapter/subchapter is rated Medium if the issues identified present risks or effects that if not addressed could moderately affect the audited **entity’s ability** to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

A chapter/subchapter is rated Low **if the audit identified strengths that support the audited entity’s ability to administer the program(s)/functions(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the program(s)/function(s) audited.**

¹ See *An Audit Report on Selected Financial Processes and Related Internal Controls at the Commission on State Emergency Communications* (State Auditor’s Office Report No. 12-037, June 2012).

Summary of Management's Response

At the end of certain chapters in this report, auditors made recommendations to address the issues identified during this audit. The Commission generally agreed with the recommendations addressed to it. However, the Commission did not agree to fully implement one recommendation to address a weakness related to information technology user access, citing staffing limitations.

Audit Objective and Scope

The objective of this audit was to determine whether the Commission has administered certain contract management functions for selected contracts in accordance with applicable requirements.

The scope of this audit covered contract planning, contract procurement, and contract formation activities for the two contracts audited from their inception through December 2016. It also included oversight of contract products² through December 2016 and contract payments through November 2016. The two contracts audited were:

- The deliverables-based information technology services contract with Luna Data Solutions, Inc. to plan and manage call conversion and interoperability testing in support of efforts to upgrade the **state's 9-1-1** systems. The contract was effective from June 2015 through March 2017.
- The information technology contract with Vintage IT Services to provide network hardware and software upgrades and maintenance. The contract term is February 2016 through February 2020.

² The contracts audited required contractors to provide two types of products: (1) deliverables that were discrete tasks, such as developing a plan for and installing computer hardware, and (2) ongoing services, such as project management services (9-1-1 Test Lab Services contract) and network maintenance tasks (Poison Control Network contract).

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Detailed Results

Chapter 1

The Commission Did Not Always Follow Its Processes for Monitoring Certain Deliverables for Both Contracts, and It Should Strengthen Its Monitoring of Ongoing Services for the Poison Control Network Contract

The Commission on State Emergency Communications (Commission) has documented processes for monitoring deliverables for the contract for testing in support of efforts to upgrade the state's 9-1-1 systems (9-1-1 Test Lab Services contract) and the contract for upgrades and maintenance of the Texas Poison Control Network (Poison Control Network contract). However, the Commission did not always follow its monitoring processes for either contract audited. For example, the Commission did not consistently document its review and approval of expectations for each deliverable prior to the contractors' beginning work. The Commission also accepted two incomplete deliverables on the Poison Control Network contract.

The contracts audited required contractors to provide two types of products: (1) deliverables that were discrete tasks, such as developing a plan for and installing computer hardware, and (2) ongoing services, such as project management services (9-1-1 Test Lab Services contract) and network maintenance tasks (Poison Control Network contract).

The Commission established processes for monitoring ongoing services for both contracts, and its monitoring of ongoing services on the 9-1-1 Test Lab Services was adequate. However, auditors identified weaknesses in the Commission's monitoring of the Poison Control Network contract. For example, the Commission did not establish a performance standard to ensure that network optimization improvements were met; it also did not adequately monitor the contractor's compliance with the performance standard for Poison Control Network application availability.

The Commission had an adequate payment review process for both contracts audited, and it ensured that total payments did not exceed the contract or purchase order amounts.

The Commission Did Not Always Follow Its Processes for Monitoring Contractor Performance for Certain Deliverables

The Commission had documented processes for monitoring deliverables for both contracts audited. However, it did not always follow those processes. Specifically:

Chapter 1-A
Rating:
Medium³

- The Commission did not consistently document its required review and approval of expectations documentation. **Specifically, for 14 (67 percent) of 21 deliverables tested on the 9-1-1 Test Lab Services contract and all 4 deliverables tested on the Poison Control Network contract, the Commission did not document its review and approval of the expectations documents prior to authorizing the contractor to begin work on the deliverables. According to the Commission's processes and the requirements outlined in the contracts, the Commission's project manager is required to review and approve an expectations document for each deliverable to verify alignment with contract requirements prior to authorizing the contractor to begin work on that deliverable. Not adequately reviewing the expectations for each deliverable prior to the contractors' beginning work could allow contractors to determine what the deliverable should contain without oversight from the Commission. Additionally, for one of the four deliverables tested on the Poison Control Network contract, the Commission did not ensure that the expectations document included all components required by the contract's statement of work for that deliverable. As a result, the Commission did not receive the results of testing to ensure that the systems that make up the Poison Control Network worked together as required by the contract.**
- For the 9-1-1 Test Lab Services contract, the Commission did not consistently follow its process for authorizing the contractor to begin work on a deliverable. **The contract specifies that the contractor cannot begin work on a deliverable until the Commission issues a work order for that deliverable. However, for 5 (24 percent) of 21 deliverables tested, the Commission did not issue a work order until the same day it accepted or after it accepted the completed deliverable. Accepting a deliverable before authorizing the contractor to begin work on that deliverable could result in the Commission's paying for unauthorized work. However, for those 5 deliverables, the Commission documented its approval of the**

Contract Management Processes
Contract Oversight - Monitor and enforce the terms of the contract.
Source: *State of Texas Contract Management Guide*.

³ Chapter 1-A is rated Medium because the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

expectations for each deliverable, and that approval took place prior to the acceptance of the deliverable.

- For the Poison Control Network contract, the Commission did not always ensure that deliverables were complete before accepting them. **The Commission's project manager and a director are required to review a completed deliverable to verify that it meets the acceptance criteria in the deliverable expectations document before accepting that deliverable.** For the 9-1-1 Test Lab Services contract, the Commission's project manager and a director verified that the deliverables met the acceptance criteria and approved all 21 deliverables tested. However, for the Poison Control Network contract, the Commission accepted incomplete deliverables for 2 (50 percent) of 4 deliverables tested. One of the two deliverables did not contain a detailed plan for testing to ensure that the systems that make up the Poison Control Network worked together, which was specified in the expectations document. The other deliverable did not include the results of testing to ensure that the systems that make up the Poison Control Network worked together because the expectations document did not contain those requirements, as discussed above. Additionally, a director did not review and approve that deliverable, as required by the Commission's process.

In addition, the Commission did not monitor or maintain documentation related to the timeliness of any of the 21 deliverables tested for the 9-1-1 Test Lab Services contract. The Commission did not have a process for monitoring the timeliness of deliverable submissions. Furthermore, the Commission did not retain documentation of when the contractor submitted deliverables. The Commission's records retention schedule requires it to retain those documents for four years after the close of the contract.

As a result, the Commission could not determine whether the contractor submitted any of the 21 deliverables on the 9-1-1 Test Lab Services contract late and whether a 25 percent penalty should have been assessed. If the contractor submitted all 21 deliverables late, the price of those deliverables could have been reduced by as much as \$446,250. For the Poison Control Network contract, the Commission accepted all four deliverables by the contractually agreed-upon due dates. However, as stated above, two of those deliverables were incomplete.

Recommendations

The Commission should:

- Document its review and approval of the deliverable expectations document, including comparing the expectations document to the requirements in the contract.
- Issue work orders promptly after approving deliverable expectations documents.
- Review all deliverables to verify that they are complete and submitted in a timely manner.
- Document a director's review and approval of deliverables as required.

Management's Response

Agree.

- *The Commission is currently developing an automated deliverable expectation document (DED) submission and approval process. The process will require approval by the Contract Manager, Business Owner, and Project Manager, and captures their approval utilizing their user account information on the deliverable record.*
- *The Commission is developing an automated process that utilizes the DED approval chain as mentioned in bullet point one. Once the DED is approved and routed back to the Project Manager, a work order can be issued to contractors/vendors. Proper DED submission and approvals will be required before the Project Manager can issue the work order.*
- *Implemented. On May 23, 2017, the Commission updated its Deliverable Approval form to include the Contract Manager. The Contract Manager's signature verifies that he/she has reviewed and approved that the deliverable meets all contract acceptance requirements, the deliverable is complete, and the deliverable was delivered within the contract time requirements.*
- *The Commission will follow its procedure, as required, to have a director review and approve the Deliverable. The Commission is currently developing a Deliverable submission and acceptance process, similar to the DED approval process in bullet 1, that will route the deliverable acceptance form to appropriate personnel for electronic approvals, and document these approvals in a log that identifies the approver and the date approved on the deliverable record.*

Estimated Implementation Dates:

- *8/31/2017*
- *8/31/2017*
- *Implemented 5/23/17*
- *8/31/17*

Responsible CSEC Management Staff

- *Director, CSEC Programs*

Chapter 1-B

The Commission's Monitoring of Ongoing Services on the 9-1-1

Test Lab Services Contract Was Adequate; However, the Commission Should Strengthen Its Monitoring of Ongoing Services for the Poison Control Network Contract

Chapter 1-B
Rating:
Medium ⁴

The Commission established processes for monitoring ongoing services for both contracts audited, and its monitoring of ongoing services on the 9-1-1 Test Lab Services was adequate. However, auditors identified weaknesses in the Commission's monitoring of the Poison Control Network contract. For example, the Commission did not establish a performance standard to ensure network optimization improvements were met; it also did not adequately monitor the contractor's compliance with the performance standard for Poison Control Network application availability.

The Commission established processes for monitoring ongoing services for both contracts audited. For the 9-1-1 Test Lab Services Contract, the Commission monitored ongoing project management services by reviewing required monthly reports the contractor provided; those reports included hours worked, accomplishments, and planned activities. For the Poison Control Network contract, the Commission monitored ongoing managed services by reviewing required monthly reports the contractor provided; those reports included technical information on network performance.

The Commission reviewed and approved all 18 required monthly reports tested for the 9-1-1 Test Lab Services contract and verified that those reports

⁴ Chapter 1-B is rated Medium because the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

met the acceptance criteria in the contract. The Commission also monitored to ensure that project management services did not exceed 25 percent of the total contract amount, as specified in the contract. For the Poison Control Network, the Commission reviewed all eight monthly reports tested.

The Commission should strengthen its monitoring of ongoing services for the Poison Control Network contract. **The Commission did not perform a formal risk assessment or develop a monitoring plan for the Poison Control Network contract. As a result, the Commission's processes for contract monitoring was not sufficient to verify that the contractor performed according to the terms of that contract. Specifically:**

- The Commission did not establish a performance standard to determine whether network optimization improvements, which are identified as a purpose of the contract, were met and maintained. The Commission asserted that optimization improvements had occurred because its information technology help desk was not receiving the same volume of calls from network users as before the contract began. However, the Commission did not quantify and track information in a way that would have allowed it to quantify network optimization. Because the Commission does not have a performance measure that focuses on optimization, it lacks information needed to determine whether a key contract requirement has been met.
- According to the contract, the Poison Control Network applications are required to be available 99.99 percent of the total minutes in each monthly reporting period. If the contractor does not meet that performance standard, price reductions should be applied to the Commission's invoice. However, the Commission used information to monitor the performance standard for application availability that did not measure the number of minutes the application was available. Specifically, the Commission used information on server uptime to monitor application availability; however, it is possible for a server to be functioning while an application is unavailable. As a result, the Commission lacks the information needed to determine whether the contractor potentially owes it a price reduction.
- The monthly reports that the Commission used to monitor contractor compliance with the contract performance standard for Poison Control Network application availability showed information for only 5 of the 10 servers the contractor provided. That occurred because the Commission used a report format from a prior contract and did not update that format when the number of servers in the Poison Control Network contract increased from 5 to 10. Beginning in March 2017, after auditors brought that matter to the Commission's attention, the reports included

all 10 servers. Because the previous reports did not contain all 10 servers, the Commission did not receive information needed to fully monitor contractor compliance with the performance standard for application availability.

- The Commission did not follow up on potential noncompliance with the performance standard it monitored for Poison Control Network application availability to determine whether corrective action was necessary. Specifically, the monthly status report for October 2016 showed that the servers did not meet the required performance standard. As a result, the Commission could be owed price reductions on managed services for that month.

Recommendations

The Commission should:

- Develop performance standards that enable the measurement of network optimization.
- Develop a process to accurately monitor Poison Control Network application availability.
- Determine whether corrective action is warranted if the Poison Control Network contractor does not meet a performance standard.

Management's Response

Agree.

- *The Commission is in the process of rewriting contract monitoring processes and requirement in the agency Contract Management Handbook by updating and creating requirements for developing, documenting, and implementing procedures to include pre and post implementation performance measures for all future procurements. CSEC is developing automated contract management applications to evaluate all lifecycles of the contract, from acquisition planning to contract closeout, encompassing vendor performance and measuring vendor performance against deliverable/invoice acceptance criteria. The Commission now has an experienced IT Contract Manager In place through the Department of Information Resources IT staff augmentation services. This will significantly improve the ability to complete and implement these recommendations.*

- *Implemented. Currently, the Contractor is required to submit monthly performance reports on the Texas Poison Control Network (TPCN) Hosted Application availability which pertains to the Contractor's network, data center and infrastructure. The Commission implemented monitoring processes to ensure the TPCN Project Manager measures performance standards against the contract each month and escalates all non-compliance issues to the contract manager. Application availability for this contract refers to network, data center, and infrastructure availability, whereas software applications used on the network may have operating unavailability that will not impact overall network, data center, or infrastructure availability.*
- *The Commission has reviewed all performance reports regarding the TPCN contract and determined the vendor currently meets performance standards as outlined in the contract related to application (network, data center, and infrastructure). On May 10, 2017, the Commission contracted for an IT Contract Manager, and immediately implemented monitoring processes to ensure that Project Managers measure performance standards against all deliverable contract each month and escalate all noncompliance issues to the contract manager.*

Estimated Implementation Dates:

- *12/31/2017*
- *Implemented 6/30/2017*
- *Implemented 5/10/2017*

Responsible CSEC Management Staff

- *Chief Financial Officer, CPO*
- *Director, CSEC Programs*
- *Chief Financial Officer, CPO*

Chapter 1-C

The Commission Had an Adequate Payment Review Process for Both Contracts Audited

Chapter 1-C
Rating:

Low⁵

The Commission had an adequate payment review process for both contracts audited. All 34 payments tested on the 9-1-1 Test Lab Services contract and all 10 payments tested on the Poison Control Network contract were based on an approved invoice, priced the same as in the contract, and allowable per the terms of the contract. The Commission also ensured that total payments did not exceed the contract or purchase order amounts. However, as discussed in Chapter 1-A, the Commission accepted and paid for two deliverables for the Poison Control Network contract that were incomplete.

⁵ Chapter 1-C is rated Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

The Commission Should Strengthen Certain Contract Planning Processes, But It Procured and Formed Both Contracts Audited in Accordance with Most Applicable Requirements

The Commission should improve certain contract planning processes by ensuring that it performs an adequate risk assessment and needs assessment. It also should ensure that it includes in its solicitation documents all elements that the *State of Texas Contract Management Guide* requires. However, the Commission procured and formed the 9-1-1 Test Lab Services and Poison Control Network contracts in accordance with most applicable requirements.

Chapter 2-A

While the Commission Complied with Certain Contract Planning Requirements, It Should Strengthen Its Planning Process

Chapter 2-A
Rating:
Medium ⁶

In planning both contracts audited, the Commission prepared solicitation documents that included detailed specifications for quantity and quality of the products to be procured, as required by the *State of Texas Contract Management Guide*. In addition, the Commission involved the appropriate personnel in the procurement and used the correct procurement method.

However, the Commission did not retain documentation showing that it performed an adequate risk assessment for either contract as required by the *State of Texas Contract Management Guide*. The Commission did not have policies and procedures related to contract planning at the time of the procurements. Not performing an adequate risk assessment increases the risk that potential problems may not be identified and that no action would be taken to mitigate that risk.

The Commission also did not have supporting documentation showing that it performed an adequate needs assessment or cost estimate for the 9-1-1 Test Lab Services contract as required by the *State of Texas Contract Management Guide*. As a result, it did not identify all of its needs related to that contract in time for the procurement. After it awarded that contract, the Commission had to initiate a change order to add multiple new deliverables that increased the contract amount from \$795,000 to \$2,815,000, a 254 percent increase. Auditors verified that the changes were allowable based on the rules for deliverables-based information technology services contracts in place at the time of those changes. However, performing adequate planning, including a needs assessment and cost estimate, could help the Commission

⁶ Chapter 2-A is rated Medium because the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

reduce the need for initiating change orders that significantly affect the total cost of the contract.

Additionally, the Commission did not include evaluation criteria or best value considerations in the solicitation documents for the 9-1-1 Test Lab Services contract as required by the *State of Texas Contract Management Guide*. As a result, the Commission evaluated the vendor's response based on criteria and best value considerations that the vendor had not been provided in the solicitation. It is important to note, however, that there was only one response to the 9-1-1 Test Lab Services solicitation.

The Commission did not include adequate conflict of interest disclosure requirements in the solicitation documents for either contract audited as required by the *State of Texas Contract Management Guide*. As a result, the contractors did not provide disclosures related to conflicts of interest, increasing the risk that potential conflicts of interest could go undetected. However, auditors performed procedures to identify potential conflicts of interest and identified none.

The solicitation documents for the 9-1-1 Test Lab Services contract also did not require vendors to provide historically underutilized business (HUB) subcontracting plans as required by the *State of Texas Contract Management Guide* (see Chapter 2-B for additional details).

Recommendations

The Commission should:

- Retain adequate documentation for contract planning, including risk assessments, needs assessments, and cost estimates.
- Include in solicitation documents all elements that the *State of Texas Contract Management Guide* requires, including a requirement for vendors to provide HUB subcontracting plans.

Management's Response

Agree.

- *On May 31, 2017, The Commission implemented the CSEC Acquisition Plan Template. The plan template, initiated with each contract procurement, outlines the approach for Market Research, Procurement, Performance and Service Standards, and Contract Management, outlining specific dates, steps, risk management, scope, assumptions, cost estimates, and constraints. Additionally, CSEC is in the process of*

implementing pre and post award contract management risk plans in preparation for all future contracting initiatives, anticipated for implementation with current solicitation planning. The Commission retains all solicitation related information on agency servers, and will include new initiatives in the contract history files.

- *The Commission will revise its Contract Management Handbook to add additional specificity, including addressing HUB subcontracting plans to the September 2016 approved handbook.*

Estimated Implementation Dates:

- *Implemented 5/31/2017 and 7/1/2017*
- *8/31/2018*

Responsible CSEC Management Staff

- *Director, CSEC Programs; Chief Financial Officer, CPO*
- *General Counsel*

The Commission Procured and Formed Both Contracts Audited in Accordance with Most Applicable Requirements

Chapter 2-B
Rating:

Low⁷

The Commission complied with most applicable statutes and the *State of Texas Contract Management Guide* when it procured and formed the 9-1-1 Test Lab Services and Poison Control Network contracts.

Contract Management Processes

- Procurement - Fairly and objectively select the most qualified contractors.
- Contract Formation - Ensure that the contract contains provisions that hold the contractor accountable for producing desired results, including all relevant terms and conditions as well as establish processes that are cost-effective and aligned with the cost of providing goods and services.

Source: *State of Texas Contract Management Guide*.

Contract Procurement

The Commission followed most requirements in the *State of Texas Contract Management Guide* to procure both contracts audited. For example, it had proper justification for selecting the contractors and ensured that purchasing staff had the required certifications and completed conflict of interest forms.

However, the contractor's response to the 9-1-1 Test Lab Services solicitation did not contain a current HUB subcontracting plan because, as discussed in Chapter 2-A, the Commission did not require it. Texas Government Code, Section 2161.252, requires responses to include HUB subcontracting plans if subcontracting is considered probable. The contractor had a HUB subcontracting plan associated with its deliverables-based information technology services cooperative

contract with the Department of Information Resources (through which the Commission procured its contract). However, that HUB subcontracting plan was from 2012 and did not include the subcontractor that performed work under the 9-1-1 Test Lab Services contract. As a result, the Commission could not monitor the contractor for compliance with its HUB subcontracting plan. Although the 9-1-1 Test Lab Services contractor is a HUB, its subcontractor, whose involvement in the contract is substantial, is not. Not requiring a current HUB subcontracting plan could affect the State's ability to meet its HUB utilization goals.

Contract Formation

The Commission generally formed both contracts audited in accordance with applicable statutes and rules. However, the Commission should improve certain processes related to contract terms, reporting, and change management.

All required persons reviewed both contracts audited prior to the contracts' being signed. The Commission also ensured that both contracts contained quantifiable goals, defined deliverables, and milestones for completion.

⁷ Chapter 2-B is rated Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

Additionally, the Commission chose appropriate, cost-effective payment methodologies for both contracts audited.

The contracts audited contained all the essential and applicable clauses recommended or required by the *State of Texas Contract Management Guide*; however, the affirmation clauses in the 9-1-1 Test Lab Services contract did not include all required elements in the *State of Texas Contract Management Guide*. For example, they did not require the contractor to affirm that:

- Responses were current, complete, and accurate.
- No person who prepared the specifications or request for proposal had a financial interest in the proposal.
- The contractor was not suspended or debarred from doing business with any federal, state, or local entity.

The Commission's contract review process did not ensure that the affirmation clause met the requirements in the *State of Texas Contract Management Guide*. Substandard key contract clauses increase the risk that the State's interests may not be protected and that the contractor may not comply with requirements.

The Commission also did not report the Poison Control Network contract to the Legislative Budget Board as required by Texas Government Code, Section 2054.008. The Commission did not have a process to ensure that it reported contracts to the Legislative Budget Board. Not reporting a contract to the Legislative Budget Board decreases the accuracy of information available to decision makers. The Commission reported the 9-1-1 Test Lab Services contract and all amendments to the Legislative Budget Board.

Additionally, while the Commission complied with most state and contract requirements related to change management, the members of the Commission on State Emergency Communications did not meet to consider material changes to the 9-1-1 Test Lab Services contract (see Chapter 2-A for additional details on those changes) as required by Texas Government Code, Section 2155.088. The Commission did not have policies and procedures regarding change management. That increases the risk of inappropriate changes being made to contracts.

Recommendations

The Commission should:

- Implement a process to ensure that it includes complete affirmation clauses and all elements required by the *State Texas Contract Management Guide* in its contracts.
- Implement a process to ensure that it reports all major contracts to the Legislative Budget Board.
- Include in its policies and procedures a requirement that the members of the Commission on State Emergency Communications meet to consider material changes to contracts.

Management's Response

Agree.

- *The Commission will revise its Contract Management Handbook to require an Execution of Proposal containing all affirmation clauses and elements required by the State of Texas Contract Management Guide from respondents in all solicitations, irrespective of procurement method.*
- *The Commission will implement a checklist and flowchart to properly document LBB reporting requirements in accordance with Texas Government Code and The General Appropriations Act for specific types of procurements. Reference to the checklist and flowchart will be incorporated into the agency's Contract Management Handbook Submissions will be documented and saved in the related contract files, and become part of the historical contract documentation.*
- *The Commission's Contract Management Handbook requires that all material changes to contracts must be considered in an open meeting in accordance with the Texas Government Code. The handbook will be revised to clarify that this also includes contracts awarded under the Department of Information Resources (DIR) master contracts that the agency utilizes.*

Estimated Implementation Dates:

- *8/31/2017*
- *7/31/2017*
- *12/31/17*

Responsible CSEC Management Staff

- *General Counsel*
- *Chief Financial Officer, CPO*
- *General Counsel*

Chapter 3
Rating:
Medium⁸

Auditors identified weaknesses in the Commission’s monitoring of data security. Specifically, the Commission did not ensure that user access levels in the Uniform Statewide Accounting System (USAS) enforced appropriate segregation of duties. Additionally, the Commission did not have a process to monitor contractor compliance with contractual data security requirements and did not always follow its policies related to user access to the Poison Control Network.

Auditors identified two users who could enter, modify, and release a payment in USAS **without another person’s involvement**. The Commission asserted that it needs the ability to have the same person enter, modify, and release a payment in the event of critical payment circumstances due to the Commission having a small number of qualified employees who can perform those duties. However, that increases the risk that the same person could enter, modify, and release an inappropriate payment without oversight. Auditors reviewed reports on payments in USAS for fiscal years 2015 through 2017 and did not identify any payment in which the same person entered and/or modified and released the payment. Additionally, as discussed in Chapter 1-C, the Commission ensured that a project manager, who did not have access to USAS, reviewed and approved each invoice prior to payment.

The Commission fully implemented one recommendation and partially implemented two **recommendations related to information technology from a prior State Auditor’s Office** report. Auditors followed up on three recommendations from *An Audit Report on Selected Financial Processes and Related Internal Controls at the Commission on State Emergency Communications* (State Auditor’s Office Report No. 12-037, June 2012) and determined that the Commission fully implemented one recommendation and partially implemented two recommendations. Specifically:

- The Commission fully implemented one recommendation to ensure that the Poison Control Network contract contained all applicable data security requirements included in Title 1, Texas Administrative Code, Chapter 202, and a requirement to maintain backups of the case management system.
- The Commission partially implemented one recommendation related to verifying contractor compliance with the applicable data security requirements. While the Commission verified that the contractor had

⁸ Chapter 3 is rated Medium because the issues identified present risks or effects that if not addressed could moderately affect the audited entity’s ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

policies and procedures related to data security, it did not monitor to verify the contractor's compliance with the contractual data security requirements. As a result, the Commission risks paying for services that were not provided, as well as relying on information that is not backed up on a regular basis.

- The Commission partially implemented one recommendation related to user access to the Texas Poison Control Network. Although the Commission developed procedures to monitor user access to the Texas Poison Control Network as recommended, it did not document that it consistently used those procedures to perform regular reviews of user access. Specifically:

- ♦ The Commission did not document its review and approval of 3 (50 percent) of 6 user access requests tested, as required by its Program Policy Statement 109 (see text box).
- ♦ The Commission could not provide evidence that it performed reviews of a list of authorized users from regional poison control centers, as required by its Program Policy Statement 109.

Inadequate monitoring of user access increases the risk that unauthorized users could gain access to the Texas Poison Control Network, which includes confidential medical information.

Program Policy Statement 109

The Commission issued Program Policy Statement 109 on February 12, 2014, to establish management controls for user access to the Texas Poison Control Network. Those controls include:

- The Commission will review requests for user access to the Texas Poison Control Network.
- The Commission will perform semiannual reviews of authorized users accessing the Texas Poison Control Network and inform each regional poison control center of the findings.

Source: The Commission's Program Policy Statement 109.

Recommendations

The Commission should:

- Configure access levels in USAS to ensure that the same user cannot enter, modify, and release a payment.
- Develop a process to verify contractor compliance with key data security provisions, including the requirement to maintain adequate case management backups.
- Follow its procedures for reviewing and approving user access to the Texas Poison Control Network and performing periodic review of user access.

Management's Response

Agree.

- *The Commission has processes in place to mitigate the risks associated with USAS users having access to enter, modify, and release payments. CSEC currently requires date stamps for entry of USAS batches, and separate date stamps for releasing batches. Additionally, an expenditure report is reviewed by the Commission Chief Financial Officer on a daily basis, and by the Commission Executive Director on a weekly basis to ensure payments are for authorized and approved invoices. The payment files are received and reconciled by the Fiscal Coordinator, and USAS payment reports are verified against payment vouchers before stamping invoices as paid and filing. Due to the limited, qualified staff at the agency, and the risk of "single point of failure", should staff require extended absences, CSEC cannot effectively eliminate the risk, but can ensure that processes are followed to mitigate improper payment risk. Should additional resources become available in the future, the Commission will re-evaluate its ability to fully implement the recommendation.*
- *The Commission will develop a process to monitor, verify and document contractor's compliance with the contractual data security requirements and case management backups. The Commission will also review the contract to ensure that it contains the most current and applicable requirements of Title 1, Texas Administrative Code, Chapter 202.*
- *The Commission will develop a process to validate user access semiannually, and document that the process has occurred. CSEC will utilize a process, similar to the Comptroller of Public Accounts process for validating financial system user access, by submitting an on-file roster to TPCN Regional Poison Control Center Executive Directors requiring validation that users on file are currently active, terminated, or new. Follow-up with executive directors will specifically address terminated users, and determine why access to TPCN systems was not rescinded upon the departure of an employee.*

Estimated Implementation Dates:

- *Not Applicable*
- *12/31/2017*
- *9/1/2017*

Responsible CSEC Management Staff

- *Chief Financial Officer, CPO*
- *Director, CSEC Programs*
- *Director, CSEC Programs*

Appendices

Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether the Commission on State Emergency Communications (Commission) has administered certain contract management functions for selected contracts in accordance with applicable requirements.

Scope

The scope of this audit covered contract planning, contract procurement, and contract formation activities for the two contracts audited from their inception through December 2016. It also included oversight of contract products through December 2016 and contract payments through November 2016. The two contracts audited were:

- The deliverables-based information technology services contract with Luna Data Solutions, Inc. to plan and manage call conversion and interoperability testing in support of efforts to upgrade the state's 9-1-1 system (9-1-1 Test Lab Services contract). The contract was effective from June 2015 through March 2017.
- The information technology contract with Vintage IT Services to provide network hardware and software upgrades and maintenance (Poison Control Network contract). The contract term is February 2016 through February 2020.

Methodology

For both contracts audited, the audit methodology included gaining an understanding of the Commission's contracting and monitoring processes; collecting and reviewing contract and related procurement documentation, financial information, and monitoring tools; conducting interviews with Commission staff; reviewing statutes, rules, Office of the Comptroller of Public Accounts requirements, and Commission policies and procedures; and performing selected tests.

Data Reliability and Completeness

The Commission uses the Uniform Statewide Accounting System (USAS) to perform accounting functions. Auditors compared vendor payment data in USAS for fiscal years 2015 and 2016 to the information in the Commission's

fiscal years 2015 and 2016 annual financial reports. Auditors determined that the USAS vendor payment data was sufficiently reliable for the purposes of this audit.

Sampling Methodology

For contract payment testing, auditors tested all 34 payments made on the 9-1-1 Test Lab Services contract from that contract's inception through November 30, 2016, and all 10 payments made on the Poison Control Network contract from that contract's inception through November 30, 2016.

For contract oversight testing, auditors tested all 39 products (deliverables and ongoing services) for the 9-1-1 Test Lab Services that were due by December 31, 2016, and all 12 products for the Poison Control Network contract that were due by December 31, 2016.

Information collected and reviewed included the following:

- The Commission's contracts with Vintage IT Systems and Luna Data Solutions, Inc.
- Commission solicitation documents for the two contracts audited and vendor responses to those solicitations.
- Documentation supporting oversight activities, including the Commission's deliverable expectations documents and deliverable acceptance forms the Commission maintained in Salesforce, the system the Commission uses to store contract documents and track the agency's budget. Auditors also reviewed documents that the contractors provided to the Commission, such as monthly status reports, to support the completion of work.
- Commission conflict of interest forms and nondisclosure forms.
- Commission vendor payment data from USAS.
- User access reports for USAS and Salesforce.
- Commission documentation of payments to contractors, including invoices and supporting documentation.

Procedures and tests conducted included the following:

- Interviewed Commission staff.
- Reviewed procurement documentation to determine whether, in accordance with requirements, the solicitations for the contracts were posted and advertised; vendor proposals were reviewed for responsiveness; bid proposals were completed and scored; there was justification to select the vendors; and the award notices were posted.
- Reviewed the contracts to determine whether the Commission included contract terms that were essential, required, and recommended by the *State of Texas Contract Management Guide*.
- Tested conflict of interest disclosure forms, contract files, and Office of the Secretary of State business filings to identify any potential conflicts of interests.
- Tested contractor invoices to determine whether they were adequately supported, and whether they were reviewed and approved before payment.
- Tested deliverables and ongoing services to determine whether the Commission adequately monitored the contracts for compliance with agreed-upon completeness criteria, as well as performance standards for timeliness.
- Reviewed user access controls in Salesforce and USAS.
- Followed up on recommendations from a prior State Auditor's Office report⁹ by evaluating the Commission's monitoring of user access and data security for the Texas Poison Control Network.

Criteria used included the following:

- Texas Government Code.
- Texas Administrative Code.
- 2012 State of Texas Procurement Manual.
- State of Texas Contract Management Guide, versions 1.13 and 1.14.
- The Commission's records retention schedule form SLR 105.

⁹ See *An Audit Report on Selected Financial Processes and Related Internal Controls at the Commission on State Emergency Communications* (State Auditor's Office Report No. 12-037, June 2012).

- Contract terms for the selected contracts.
- Commission policies and procedures.

Project Information

Audit fieldwork was conducted from December 2016 through May 2017. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Matthew M. Owens, CFE, CGAP (Project Manager)
- Joy Myers, MPP (Assistant Project Manager)
- Valerie W. Bogan, CFE
- Pamela A. Bradley, CPA
- Douglas Jarnagan, MAcc
- Dana Musgrave, MBA (Quality Control Reviewer)
- Michael Simon, MBA, CGAP (Audit Manager)

Issue Rating Classifications and Descriptions

Auditors used professional judgement and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/sub-chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Table 2 provides a description of the issue ratings presented in this report.

Table 2

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

Related State Auditor's Office Work

Related State Auditor's Office Work		
Number	Product Name	Release Date
12-037	An Audit Report on Selected Financial Processes and Related Internal Controls at the Commission on State Emergency Communications	June 2012

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The Honorable Joe Straus III, Speaker of the House, Joint Chair

The Honorable Jane Nelson, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable John Zerwas, House Appropriations Committee

The Honorable Dennis Bonnen, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Commission on State Emergency Communications

Members of the Commission on State Emergency Communications

Mr. Bill Buchholtz, Presiding Officer

Ms. Kay Alexander

Mr. James Beauchamp

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Mr. Terry J. Henley

Ms. Laura Gibbs Maczka

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