



An Audit Report on

# A Selected Contract at the Department of State Health Services

SAO Report No. 18-025  
April 2018

## Overall Conclusion

The Health and Human Services Commission (Commission) and the Department of State Health Services (Department) had weaknesses in their contract procurement and formation processes related to the contract for the development and maintenance of the Texas Electronic Vital Events Registrar (TxEVER) system awarded to Genesis Systems Inc. on June 1, 2016. Specifically:

- The Commission did not compile and calculate the final evaluation scores for the five vendor proposals accurately.
- While the TxEVER procurement is a major information resources project with an estimated project value of more than \$10 million, the Commission did not verify vendors' reported qualifications and experiences as specified in the solicitation.

In addition, the Department executed a contract with Genesis System Inc. that required the vendor, instead of the Statewide Data Center Services Program, to host TxEVER. However, the Department did not obtain the required exemption from the Governor and the Department of Information Resources that would allow Genesis Systems Inc. to host TxEVER. As a result of not obtaining the required exemption, the Department amended the contract to require TxEVER to be hosted by the Statewide Data Center Services Program. That amendment increased the original contract cost from \$15,603,894 to \$17,464,398 (a total increase of \$1,860,504) and delayed the go-live date for TxEVER from January 1, 2018, to January 1, 2019. The amendment also changed the contract termination date from August 31, 2023, to August 31, 2028. As of August 31, 2017, the Department's contract payments totaled \$4,126,161.

### Background Information

House Bill 1 (82nd Legislature, Regular Session) directed the Department of State Health Services (Department) to evaluate the effectiveness and security of the State's current birth record information system, Texas Electronic Registrar (TER), and make recommendations to ensure that birth records were more secure.

As a result, the Department made several recommendations including replacing TER with a new single state birth and death records management system. The Department was subsequently appropriated \$14,124,618 by the 84th Legislature for the development of the Texas Electronic Vital Events Registrar (TxEVER) system. TxEVER is considered a major information resources project.

Texas Government Code, Section 2054.003 (10), defines a major information resources project as any information resources technology project identified in a state agency's Biennial Operation Plan whose development costs exceed \$1 million and that:

- Requires one year or longer to reach operations status;
- Involves more than one state agency; or
- Substantially alters work methods of state agency personnel or the delivery of services to clients.

A major information resources project also includes any information resources technology project designated by the Legislature in the General Appropriations Act as a major information resources project.

Sources: General Appropriations Acts (82nd and 84th Legislatures); Texas Government Code, Section 2054.003; and the Department.

This audit was conducted in accordance with Texas Government Code, Section 321.031, 321.0132, and 2262.052.

For more information regarding this report, please contact James Timberlake, Audit Manager, or Lisa Collier, First Assistant State Auditor, at (512) 936-9500.

The Commission also did not accurately report the initial contract value to the Legislative Budget Board and it did not certify the contract information that it reported to the Legislative Budget Board as required.

**The Commission and the Department complied with certain other contracting requirements.**

The Commission and the Department complied with certain other contract management requirements as specified by the *State of Texas Contract Management Guide* and other statutory requirements related to major information resources projects. Specifically, the Commission and the Department:

- Complied with requirements for planning and developing the solicitation, including ensuring that applicable management and staff reviewed and approved the solicitation and completed required disclosure forms concerning conflicts of interest.
- Complied with the Quality Assurance Team’s requirements for planning and providing on-going quarterly status reports on the TxEVER project.
- Developed an enhanced monitoring plan as required; however, auditors identified instances in which the Department did not always perform certain monitoring activities as required.

Auditors communicated other, less significant issues to Commission management and Department 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 <sup>a</sup>
1-A	The Department Based Its Award Decision on Inaccurate Evaluation Scores and Unverified Information Described in Vendor Proposals	Priority
1-B	The Commission and Department Complied with Requirements for Developing a Solicitation, Including Having the Proper Segregation of Duties and Ensuring That Management and Staff Disclosed Conflicts of Interest as Required	Low
2-A	The Department Executed the Original Contract Without Obtaining a Required Exemption, Which Resulted in a Contract Amendment That Increased Costs and Caused Project Delays	Priority
2-B	The Commission Did Not Report Accurate and Complete Information About the Awarded Contract and Amendment No. 1 to Certain State Governmental Entities as Required	High
3	The Department Generally Monitored the Contract and Processed Payments as Required; However, It Did Not Perform Certain Required Monitoring Reviews and One Vendor Payment Was Not Supported with Required Information	Medium

Summary of Chapters/Subchapters and Related Issue Ratings		
Chapter/ Subchapter	Title	Issue Rating <sup>a</sup>
4	The Department Complied with Contract Planning Requirements for a Major Information Resources Project	Low
<p><sup>a</sup> A subchapter is rated <b>Priority</b> 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.</p> <p>A subchapter is rated <b>High</b> 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.</p> <p>A subchapter is rated <b>Medium</b> 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.</p> <p>A subchapter is rated <b>Low</b> 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.</p>		

## ***Summary of Management's Response***

At the end of each chapter in this report, auditors made recommendations to address the issues identified during this audit. The Commission and the Department agreed to implement the recommendations in this report; however, they disagreed with the characterization of the significance of the errors identified with the evaluation of vendor proposals and the impact of a contract amendment on estimated project costs discussed in Chapters 1-A and 2-A, respectively. After review and consideration of management's responses, the State Auditor's Office stands by its conclusions based on the evidence presented and compiled during this audit. The Commission's and Department's specific management responses are presented after each set of recommendations in the report chapters.

## ***Audit Objective and Scope***

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

The scope of this audit covered the Commission's and Department's contract with Genesis Systems Inc. for the acquisition, installation, development, and maintenance of the TxEVER system, which is a Web-based software application intended to replace the existing Texas Electronics Registrar system that manages vital records for the Department's Vital Statistics Unit. Auditors tested transactions from the inception of the current contract on June 1, 2016, through August 31, 2017. The audit reviewed all phases of the contract management process (planning, procurement, formation, and oversight) for the contract through August 31, 2017.

# Contents

## ***Detailed Results***

---

Chapter 1	
While the Commission Complied with Certain Contract Procurement Requirements, Weaknesses Existed in Its Procurement Process for Evaluating Vendor Proposals .....	1
Chapter 2	
While the Commission and the Department Complied with Certain Contract Formation Requirements, an Amendment to the Contract Resulted in Increased Contract Costs, Delays, and Noncompliance with Certain Requirements .....	7
Chapter 3	
The Department Generally Monitored the Contract and Processed Payments as Required; However, It Did Not Perform Certain Required Monitoring Reviews and One Vendor Payment Was Not Supported with Required Information .....	15
Chapter 4	
The Department Complied with Contract Planning Requirements for a Major Information Resources Project.....	20

## ***Appendices***

---

Appendix 1	
Objective, Scope, and Methodology .....	21
Appendix 2	
Issue Rating Classifications and Descriptions .....	26
Appendix 3	
The Evaluation Process for the Texas Electronic Vital Events Registrar System .....	27
Appendix 4	
Procurement Timeline .....	29
Appendix 5	
Related State Auditor’s Office Work .....	30

# Detailed Results

## Chapter 1

### ***While the Commission Complied with Certain Contract Procurement Requirements, Weaknesses Existed in Its Procurement Process for Evaluating Vendor Proposals***

---

#### **The Procurement Process for Health and Human Services Agencies**

The Commission's Procurement and Contracting Services (PCS) conducts the procurement and contracting services for the State's health and human services agencies. PCS works with the health and human services agencies to:

- Plan procurements.
- Develop solicitation documents.
- Evaluate proposals.
- Develop evaluation criteria.
- Develop an evaluation tool.
- Identify and train the evaluation team.
- Conduct negotiations.
- Determine final awards.

Source: The Commission.

The Health and Human Services Commission's (Commission) process of evaluating vendor proposals for the contract award of the Texas Electronic Vital Events Registrar (TxEVER) system for the Department of State Health Services (Department) had weaknesses. (See text box for more information about that procurement process.) The award recommendation the Commission made to the Department was based on inaccurate evaluation scores and unverified information about vendor qualifications, experience, and software products including the strengths and weaknesses for each of the five bidding vendors that were listed in the award recommendation. (See Appendix 3 for more information about the evaluation process.)

However, the Commission properly developed the solicitation for TxEVER in accordance with applicable statutory and agency requirements, which included ensuring that the appropriate Department management and staff were involved in the procurement process and that those individuals, including the purchasing staff, complied with conflict of interest requirements.

#### Chapter 1-A

### **The Department Based Its Award Decision on Inaccurate Evaluation Scores and Unverified Information Described in Vendor Proposals**

The Commission's award recommendation to the Department was based on an erroneous compilation and calculation of evaluation scores.

The evaluation tool that the Commission used to combine and calculate the evaluation teams' final evaluation scores of each vendor's proposal were based on inconsistent mathematical formulas, inaccurate information, and it transposed and omitted certain scores as the result of data entry errors. The Commission used those final evaluation scores to support its award

**Chapter 1-A  
Rating:  
Priority <sup>1</sup>**

---

<sup>1</sup> The risk related to the issues discussed in Chapter 1-A is rated as Priority because 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.

recommendation to the Department. For example, auditors identified the following errors in the evaluation tool:

- **Inconsistent methodology.** The actual methodology that the Commission used to combine and calculate the evaluation teams' final scores for each vendor did not match the methodology described in (1) the solicitation or (2) the award recommendation to the Department. Specifically, the solicitation's methodology identified six parts of the vendor proposal that would be evaluated for best value and assigned a specific weight to each of those parts. In addition, the award recommendation stated that the individual evaluator's scores were averaged for each evaluation criteria item, and the applicable weight (as listed in the solicitation) applied to those average scores to determine the final score for each criteria. However, the Commission included an additional calculation that resulted in each vendor proposal score being calculated in a manner that was not consistent with the stated methodology. Not following the methodology listed in the solicitation increases the risk that vendor evaluation scores could be adjusted to promote one vendor over another. (See Appendix 3 for more information about the evaluation scoring process that the Commission defined in its solicitation to evaluate and score the vendor proposals.)
- **Inconsistent mathematical formulas.** The formula the Commission used to calculate the final score was incorrect for at least one vendor. For that vendor, the formula used to calculate the final score for the technical proposal team included the evaluation scores of an evaluator that was part of the cost proposal team. (See Appendix 3 for more information about the technical proposal team and the cost proposal team.)
- **Inaccurate calculations.** Averages for certain evaluation parts were calculated using the wrong number of evaluators. For example, the final average score calculated for the technical proposal part for one vendor was based on five evaluators; however, only four evaluators reviewed that part.
- **Transposed scores.** The final evaluation scores calculated for three of the five vendors were transposed between those vendors for one of the six parts evaluated.
- **Data entry errors.** The evaluation scores for multiple individual evaluators were incorrectly recorded into the evaluation tool that the Commission used to calculate the final scores. For example, an evaluation score of "2" assigned by an individual evaluator was recorded as a "0" in the evaluation tool.

Based on the number and types of errors identified, the final evaluation score for each vendor was incorrectly calculated and listed in the award recommendation. Auditors were unable to recalculate the final evaluation scores to determine if the errors, if addressed, may have changed the final vendor rankings listed in the award recommendation. The Commission stated that it assigned only one person to review the accuracy of the final evaluation scores calculated by the evaluation tool.

**The Commission did not verify the qualifications and experience of the five bidding vendors.**

The Commission did not use additional methods described in the solicitation that would have allowed the evaluation teams to better evaluate and score a vendor's qualifications, including the software products offered. Texas Government Code, Section 2157.125, requires an agency to consider prices, past vendor performance, vendor experience or demonstrated capability, and the evaluation factors for award decisions involving automated information systems. While the solicitation specified that the Commission and the Department would be conducting reference checks upon receipt of vendors' proposals that could result in a vendor's disqualification if the references did not confirm that a vendor met the minimum qualifications or were inconsistent with a vendor's representations, the Commission decided not to conduct reference checks. It should be noted that the Commission had developed a vendor reference questionnaire to use when conducting reference checks, which was designed to document the verification of (1) a vendor meeting the minimum qualifications of the solicitation and (2) representations that a vendor has made about other government agencies and businesses using its software products.

In addition, planning documents show that the Department's staff recommended that, at a minimum, the procurement process should verify that the state registrars referenced in each vendor's proposal should be contacted to substantiate that they are running the vendor's software (including understanding what software components were purchased), when the software was purchased, and how much customization was required. Given the high risks associated with a major information resources project with an estimated cost of more than \$10 million, conducting reference checks could have helped the Commission verify the strengths and weaknesses that evaluators identified in the vendor proposals.

## Recommendations

The Commission should:

- Require a secondary review to verify that the mathematical formulas and evaluation scores calculated with the evaluation tool are accurate, consistent, and complete.
- Verify the qualifications and experiences of vendors that bid on proposals as specified in its solicitations and consider verifying other significant assertions made by vendors bidding on a major information resources project.

## Management's Response

*The Health and Human Services Commission (HHSC) agrees with the finding and offers the following response to the recommendation.*

*HHSC Procurement and Contracting Services (PCS) will ensure secondary review and verification of evaluation tools and will ensure that the requirements for checking vendor qualifications in future solicitations are in line with statute.*

*It is important to note that after PCS corrected and verified the formulas in this audited tool, the results were the same. This information was shared with the State Auditor's Office. The award would still be the same, as the respondent ranking was unchanged. Therefore, the original recommendation to move forward with the highest scoring vendor would not have changed. The evaluation tool used for this Request for Proposals (RFP) was created and used for this solicitation only and was not used for any other solicitation. Further, PCS implemented new policies and procedures for the solicitation evaluation process, which included adopting a standard evaluation tool for all procurements and implementing a required secondary review of the tool, by the appropriate PCS manager, before and after the evaluations are completed. These new policies and procedures were implemented on December 19, 2016. However, since this audit and during the management response timeline, it has become apparent that the new policies and procedures were not properly implemented by all staff. This failure is being addressed.*

*As for the second recommendation, PCS will review and ensure that evaluation requirements for verifying vendor qualifications in future solicitations are consistent with statute. The vendor with the highest score had already performed work for HHSC. Therefore, HHSC was able to provide its own reference on the vendor's abilities and moved forward without further*

checks. As for the reference to Section 2157.125, Texas Government Code, that law says agencies shall award contracts based on price, past vendor performance, vendor experience or demonstrated capability, and the evaluation factors in the request for proposals. This statute does not say that reference checks must be performed on every respondent. HHSC awarded this contract in compliance with this statute, as it considered the vendor's price, past performance, experience and capability, and the evaluation factors of the RFP. Lastly, the vendor had all positive reports on the state's Vendor Performance Tracking System.

**Implementation Date:**

The new policies and procedures were implemented December 19, 2016, and the agency will continue to monitor and strengthen system controls.

**Responsible Person:**

Associate Commissioner, Procurement and Contracting Services

Chapter 1-B

**The Commission and Department Complied with Requirements for Developing a Solicitation, Including Having the Proper Segregation of Duties and Ensuring That Management and Staff Disclosed Conflicts of Interest as Required**

Chapter 1-B  
Rating:  
Low <sup>2</sup>

The Commission and Department complied with requirements for developing a solicitation for the procurement of a major information resources project, including ensuring that the appropriate management and staff were involved in the procurement and that those individuals met requirements for protecting the objectivity of the procurement process. Specifically, the Commission and Department ensured that:

- It appropriately advertised the solicitation in the *Electronic State Business Daily* as required.
- The process for developing the solicitation properly segregated the review and approval duties of management and staff.

---

<sup>2</sup> Chapter 1-B is rated Low because the audit identified strengths that support the audited entities' 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 entities' ability to effectively administer the program(s)/function(s) audited.

- Management and staff involved in the contract procurement process, including the purchasing staff, signed the required conflict of interest and disclosure forms.
- The purchasing staff involved in the procurement possessed the proper certifications.
- The evaluation criteria developed for evaluating vendor proposals to the solicitation was reasonable.

**Management's Response**

*The Department of State Health Services (DSHS) and HHSC appreciate SAO's observations and have no additional comments on this item.*

## ***While the Commission and the Department Complied with Certain Contract Formation Requirements, an Amendment to the Contract Resulted in Increased Contract Costs, Delays, and Noncompliance with Certain Requirements***

---

### **TxEVER Contract**

The Commission and Department executed a contract with Genesis Systems Inc. for the development and maintenance of the TxEVER system on June 1, 2016. The value for the contract at the time of execution was \$15,603,894.

The contract was subsequently amended on June 22, 2017, to change the contract's scope of work to require TxEVER to be hosted by the Statewide Data Center Services Program instead of the vendor. The amendment resulted in the contract value increasing to \$17,464,398.

Sources: The Commission and Department.

The Commission and Department included all essential clauses required by the *State of Texas Contract Management Guide* in its contract with Genesis Systems Inc. for the development and maintenance of TxEVER. They also developed the contract agreement to include a reasonable payment methodology and ensured that the draft contract agreement and subsequent amendment received the proper reviews and approvals by management and staff.

However, the subsequent amendment to the contract—Amendment No. 1—was the result of the Department not obtaining a required exemption to allow Genesis Systems Inc. to host TxEVER instead of the Statewide Data Center Services Program. Amendment No. 1 resulted in an increase in the contract cost and led to delays in the completion of contract deliverables and the go-live date for TxEVER (see text box for more information). Additionally, the Commission and Department did not report accurate and complete information about the original contract and the amendment to certain state governmental entities as required.

## The Department Executed the Original Contract Without Obtaining a Required Exemption, Which Resulted in a Contract Amendment That Increased Costs and Caused Project Delays

Chapter 2-A  
Rating:  
Priority<sup>3</sup>

The Department's contract with Genesis Systems Inc., executed June 1, 2016, required the vendor to host TxEVER outside the Statewide Data Center Services Program. However, the Department did not obtain the required exemption from the Governor and the Department of Information Resources that would allow TxEVER to be hosted outside the Statewide Data Center Services Program. (See text box for more information on the Statewide Data Center Services Program requirements.)

On September 1, 2016, the Department of Information Resources sent a written notification to the Department that the contract was non-compliant with state requirements concerning the Statewide Data Center Services Program. On June 22, 2017, the Department executed Amendment No. 1 to its contract with Genesis Systems Inc. Amendment No. 1 changed the contract's scope of work to require TxEVER to be hosted by the Statewide Data Center Services Program, which led to additional costs and delays for the TxEVER project. Specifically, as a result of Amendment No. 1:

- The total not-to-exceed contract value specified in the contract increased from \$15,603,894 to \$17,464,398. That increase included:
  - ♦ The contract costs for application development increased from \$7,744,702 to \$9,870,648 (an increase of \$2,125,946). This amount included a cost increase in a deliverable that had been completed and paid. (See Chapter 3 for more information on that deliverable.)

### Statewide Data Center Services Program

The Statewide Data Center Services Program, overseen by the Department of Information Resources:

- Enables state agencies to share data center infrastructure and reduce focus on information technology operations.
- Provides mainframe, server, network, data center, and print/mail services.
- Delivers services in legacy agency data centers while consolidating operations to the two regional state data centers.

Texas Government Code, Section 2054.391, states that a state agency may not transfer services from the Statewide Data Center Services Program unless the Department of Information Resources and the Governor approve the transfer.

In addition, if the Department of Information Resources determines a state agency has violated this requirement, it is required to notify the Office of the Comptroller of Public Accounts, the Legislative Budget Board, the State Auditor's Office, and the state agency that is in violation.

Upon notification of a violation, a state agency may not spend appropriated funds on the information technology services that should be performed through the Statewide Data Center Services Program.

Sources: Texas Government Code, Section 2054.391, and the Department of Information Resources.

<sup>3</sup> The risk related to the issues discussed in Chapter 2-A is rated as Priority because 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.

- ♦ The contract term for the maintenance and support services increased from 5 years to 9 years<sup>4</sup>; however, the associated costs for those services decreased from \$7,859,192 to \$7,593,750 (a decrease of \$265,442).
- The go-live target date for TxEVER changed from January 1, 2018, to January 1, 2019.
- The contract termination date changed from August 31, 2023, to August 31, 2028.

In addition, due to Amendment No. 1, the Department reported to the Quality Assurance Team that its estimated overall project costs for TxEVER—which includes the contract costs discussed above, the Department’s personnel costs, overhead costs, contract development costs, and maintenance costs—would increase from an estimated \$23,733,167 to \$33,949,740 (an increase of \$10,216,573). The estimated project costs that the Department reported were for fiscal years 2016 through 2025.

The increase in contract costs and associated estimated project costs and delays with development of the TxEVER system may have been avoidable had the contract either (1) not been executed with provisions that required Genesis Systems Inc. to host TxEVER or (2) only been executed **after** the Department received the required exemption.

**The Commission did not ensure that Genesis Systems Inc. submitted a disclosure of interested parties to the Texas Ethics Commission before the execution of the contract.**

The Commission did not obtain a copy of Genesis Systems Inc.’s disclosure of interested parties form prior to execution of the contract as required. Texas Government Code, Section 2252.908 (d), requires that a state agency, prior to executing a contract with a business entity, to obtain a disclosure of interested parties from that entity. The Commission did not obtain a copy of the required form until after auditors brought the matter to its attention.

---

<sup>4</sup> The maintenance and support costs, including hosting services, for the original contract covered the period from September 1, 2018 through August 31, 2023. The original contract described 2 two-year options to extend maintenance, support, and hosting costs for fiscal years 2024 through 2025 and 2026 through 2027 for an additional \$6,849,019. That amount was not included in the not to exceed amount specified in the original contract. Amendment No. 1 changed the period of maintenance and support coverage to April 1, 2019 through August 31, 2028. There were no options included in Amendment No. 1 to extend maintenance and support coverage.

## Recommendations

The Department should develop, document, and implement a process to be used during the development of a solicitation that determines whether an exemption from the Statewide Data Center Services Program is required for the procurement of a major information resources project and when applicable, develop the procurement according to the results of its request for an exemption.

The Commission should obtain a copy of the disclosure of interested parties from a vendor before it executes a contract with the vendor as required.

## Management's Response from the Department

*DSHS agrees with the recommendation and offers the following responses.*

*DSHS will work with HHSC regarding the established process on this issue. The procurement solicitation that was issued allowed for a range of options including a private sector hosted solution in order to consider best value for the state. DSHS agrees that an exemption should have been requested during the planning of the solicitation to allow for the possible selection of a proposal that used resources outside the State Data Center and should have been requested before the contract execution. DSHS agrees with the recommendation and will ensure that the need for a State Data Center exemption is assessed in the future during the department's part of procurement planning.*

*As noted in the findings, DIR did not approve DSHS' request for an exemption. In addition to requiring the contractor to use the State Data Center - which ultimately increased the value of the contract by approx. \$2 million - the term of the contract was amended, milestones were changed, and data sets and maintenance requirements were added. Therefore, a comparison of costs of the original contract to the amended contract is not an apples-to-apples comparison.*

*The conclusion that the amendment resulted in increased costs to the project is misleading. Further, the analysis does not consider that, with the implementation of the recommendations, the costs of the amendment, other than those noted above, would simply have been incurred under the base contract.*

*HHSC also agrees with and implemented this recommendation on August 4, 2016 via a written directive from PCS to purchasing staff. The specific requirement for HHSC purchasing staff is that, prior to commencing a major*

*information system procurement, the buyer is required to obtain a copy of the DCS waiver request and approved waiver.*

*Lastly, the TxEVER Project Steering Committee will ensure that all progress on deliverables, any budget changes, any scope changes or any date changes will be tightly managed in accordance to the Texas Project Management Framework and reported in compliance to the LBB Quality Assurance Team (QAT).*

**Implementation Date:**

*August 4, 2016*

**Responsible Person:**

*Associate Commissioner, Procurement and Contracting Services*

*Director, Information Technology Operations*

**Management's Response from the Commission**

*HHSC agrees with the recommendation and offers the following responses.*

*HHSC has policies and procedures in place to ensure that it receives a disclosure of interested parties from a vendor before executing a contract with that vendor. Prior to this audit, policies and procedures were created and published on September 1, 2017, in the HHS Contract Management Handbook. Further, HHSC had requested and received a 1295 form from Genesis on June 28, 2017, which is also prior to the audit. HHSC requested a second form from Genesis on November 2, 2017 to correct the contract number. That second form was received back from Genesis on December 8, 2017.*

**Implementation Date:**

*September 1, 2017*

**Responsible Person:**

*Deputy Executive Commissioner, Procurement and Contracting Services*

Chapter 2-B  
Rating:  
High<sup>5</sup>

Chapter 2-B

## **The Commission Did Not Report Accurate and Complete Information About the Awarded Contract and Amendment No. 1 to Certain State Governmental Entities as Required**

While the Department notified the Quality Assurance Team about the executed contract and Amendment No. 1 as required, the Commission did not comply with other, similar reporting requirements for reporting the contract and amendment. Specifically, the Commission did not provide the Legislative Budget Board the required certification for the executed contract, reported inaccurate costs for the executed contract to the Legislative Budget Board, and did not notify certain state governmental entities about Amendment No. 1 before executing the amendment as required.

**The Commission did not certify the contract information that it reported to the Legislative Budget Board as required.**

The Commission did not submit the required notification to the Legislative Budget Board certifying that the process used to award the contract complied with the following requirements:

- *State of Texas Contract Management Guide.*
- *State of Texas Procurement Manual.*
- All applicable statutes, rules, policies, and procedures related to procurement and contracting of goods and services, including compliance with conflict of interest disclosure requirements.

Article IX, Section 7.12, General Appropriations Act (84th Legislature) states that a state agency may not make payments on a contract until the notice of certification is provided to the Legislative Budget Board. In addition, that notice should be provided to the Legislative Budget Board at least 10 business days prior to making a payment. The Department's first payment on the contract was paid in July 2016; however, the Department submitted the required notice of certification to the Legislative Budget Board in November 2017 after auditors brought the matter to its attention.

**The Commission reported an inaccurate contract amount to the Legislative Budget Board.**

While the Commission reported the executed contract to the Legislative Budget Board as required, the contract amount that it reported was inaccurate. Specifically, the Commission reported to the Legislative Budget

---

<sup>5</sup> The risk related to the issues discussed in Chapter 2-B is rated as High because 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.

Board that the contract had a maximum contract value of \$7,744,702; however, the actual maximum contract value at that time was \$15,603,894. In addition, the Commission did not report the new maximum contract value of \$17,464,398, which was a result of Amendment No. 1, until after auditors brought this matter to its attention.

**The Commission did not report Amendment No. 1 to the Office of the Governor, the Office of the Lieutenant Governor, the Speaker of the House, and select legislative committees before executing the amendment as required.**

While the Department reported Amendment No. 1 to the Quality Assurance Team as required, the Commission did not report the amendment to the Office of the Governor, Office of the Lieutenant Governor, the Speaker of the House, the Senate Finance Committee, and the House Appropriations Committee as required. When an amendment to a contract for the development of a major information technology project constitutes a 10 percent or greater change, Article IX, Section 9.01(c), General Appropriations Act (84th Legislature), requires that **prior** to executing that amendment the agency shall notify the Governor, Lieutenant Governor, Speaker of the House, Senate Finance Committee, House Appropriations Committee, and the Quality Assurance Team. Amendment No. 1 increased the total contract value from \$15,603,894 to \$17,464,398 (an increase of 12 percent) and the overall estimated project cost for the TxEVER project increased from \$23,733,167 to \$33,949,740 (an increase of 43 percent). (See Chapter 2-A for more information about Amendment No. 1.)

## **Recommendations**

The Commission should develop, document, and implement processes to:

- Ensure that the contract information it reports to the Legislative Budget Board includes the necessary certifications as required.
- Verify that contract values are accurate before it reports those contract values to the Legislative Budget Board.
- Report amendments to contracts for major information resources projects in accordance with current requirements.

## **Management's Response**

*HHSC agrees with the findings and associated recommendations and offers the following responses.*

*The contract reporting for the TxEVER contract and amendment has been corrected in the Legislative Budget Board (LBB) contract reporting system and certification has been provided.*

*HHS contract information submitted to the LBB will be more accurate because of new systems implemented on September 5, 2017 that provide additional controls in the electronic systems that support procurement and contracting activities. HHSC has implemented procurement and contracting processes that will ensure that all amendments to contracts for major information resources projects are reported in compliance with Article IX, Section 9.01(c), General Appropriations Act.*

*Further improvements will be made using reports and improving communication to ensure timely certifications and reporting.*

*Reporting contract amendments that increase the value of the contract by 10% or more was changed in the General Appropriations Act for Fiscal Years 2018 and 2019. Now, the LBB issues a report and asks agencies to provide detailed information on the amendments. HHSC has been working with the LBB to ensure full and accurate reporting.*

### **Implementation Date:**

*May 31, 2018*

### **Responsible Person:**

*Associate Commissioner, PCS Contract Administration*

## **The Department Generally Monitored the Contract and Processed Payments as Required; However, It Did Not Perform Certain Required Monitoring Reviews and One Vendor Payment Was Not Supported with Required Information**

---

**Chapter 3  
Rating:  
Medium<sup>6</sup>**

The Department performed certain contract oversight functions as required, including providing quarterly status reports on the development of TxEVER to the Quality Assurance Team. The Department also ensured that the assigned contract managers had required certifications and it developed an enhanced monitoring plan for the TxEVER contract as required by the Commission and its *Contract Management Handbook*. The Department also provided status reports on the development of TxEVER to the Commission's executive commissioner in compliance with the Sunset Advisory Commission's recommendations<sup>7</sup>.

However, the Department did not ensure that certain contract monitoring reviews and other selected monitoring activities were performed as required by the Department's enhanced monitoring plan for the contract. (See the text box for more information about the enhanced monitoring plan for the TxEVER contract.)

While the Department generally processed payments to Genesis Systems Inc. in accordance with contract requirements, one payment that auditors tested was missing documentation to show that Department staff had received and accepted the associated deliverable.

### **Enhanced Monitoring Plan**

Enhanced monitoring may include, but is not limited to: more frequent site visits, additional provider meetings, and increased documentation requirements deemed necessary by the agency to assess progress of the contractor toward meeting the identified goals and outcomes established in response to assessments of unsatisfactory performance.

The Commission requires health and human services agencies to establish enhanced monitoring protocols on contracts with a value of \$10 million or more. The enhanced monitoring plan for the Department's contract with Genesis Systems Inc. for TxEVER required the Department to conduct the following:

- Developing a written enhanced monitoring plan.
- Developing a written and defined communication plan with the contractor.
- Conducting a contractor orientation within 30 days of the start of the contract.
- Receiving and reviewing status/progress reports from the contractor on a monthly basis.
- Conducting at least two documented reviews annually (desk or on-site) with documented follow-up results for any significant findings.
- Providing documented technical assistance.

In addition, the Department requires that a quality assurance review of the contract monitoring activities be performed.

Sources: The Commission's *Contract Management Handbook*, April 2017, and the Department's Enhanced Monitoring Plan for the contract with Genesis Systems Inc.

---

<sup>6</sup> Chapter 3 is rated as 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.

<sup>7</sup> *Department of State Health Services, Sunset Advisory Commission Staff Report with Final Results, July 2015.*

**The Department did not perform any quality assurance reviews and biannual contract reviews of the contract as required.**

From the time the contract started in June 2016 through August 2017, the Department did not perform certain oversight reviews that the Department's enhanced monitoring plan required for the contract. Specifically, the Department did not perform the following oversight reviews:

- **Quality assurance reviews.** Quality assurance reviews evaluate the performance of the contract monitoring activities performed and provide feedback and recommendations to Department staff on the effectiveness of those activities. The Department's enhanced monitoring plan did not define the timing requirements of the quality assurance reviews. However, as discussed in Chapter 2-A, the go-live date for TxEVER changed from January 1, 2018, to January 1, 2019, as a result of Amendment No. 1. In addition, the contract manager position and the project manager position for the TxEVER project experienced turnover during the first year of the contract. Therefore, a quality assurance review could have provided the Department valuable feedback in assessing the effectiveness of the contract monitoring processes.
- **Biannual contract reviews.** Biannual contract reviews are required to be performed and documented; however, in addition to not performing the review, the Department did not have any policies and procedures in place that identified specific activities that should be performed and completed for each review. As a result, it was unclear what the reviews were intended to evaluate for contract monitoring purposes.

**The Department could not provide documentation to show that it consistently performed certain other enhanced monitoring activities when required.**

The Department provided auditors with documentation to show that it performed certain contract monitoring activities required by its enhanced monitoring plan, including compliance with Quality Assurance Team reporting requirements. However, the Department could not provide documentation to show that those activities were consistently performed from June 2016 through August 2017. Specifically:

- For 2 (50 percent) of 4 project milestones tested for which concerns or problems were identified with the deliverable, the Department could not provide documentation to show that the concern or problem identified was satisfactorily resolved. In addition, for one of those project milestones, while the Department provided documentation to show that deliverables had been accepted, the Department could not provide copies of the actual deliverables that it received.

- For 6 (67 percent) of 9 weekly status reports tested, the Department could not provide documentation to show that Genesis Systems Inc. had submitted the reports within required timeframes. The contract required Genesis Systems Inc. to submit weekly status reports within one week of receiving the Department's approval to be invoiced for payment.
- The Department did not have documentation showing that 13 (48 percent) of 27 project status meetings were held as required.

Enhanced monitoring activities are intended to increase the level of monitoring for high dollar and high risk contracts and ensure that the delivery and quality of the services provided are satisfactory. Not performing enhanced monitoring as required increases the risk that the timeline and/or quality of contract deliverables may not meet contract terms.

**The Department generally processed payments as required, but one payment was processed without required documentation and authorizations.**

From June 2016 through August 2017, the Department processed 12 payments to Genesis Systems Inc. that totaled \$4,126,161 in accordance with contract requirements. However, one payment that totaled \$409,451 was processed without documentation to show that the associated deliverable had been received and accepted by the Department. The Department's records indicated that the payment was the difference between the original estimated cost for the deliverable and the amended cost for that deliverable as a result of Amendment No. 1. (See Chapter 2-A for more information about Amendment No. 1.) However, the original deliverable had been completed and paid. The Commission asserted to auditors that the original deliverable had to be revised as a result of Amendment No. 1; however, the Department could not provide documentation to show that the amended deliverable had been received and accepted. Amendment No. 1 states that for any payment under the contract, the Department will evaluate and provide the contractor written notice of acceptance stating that the deliverables comply with contract requirements.

## **Recommendations**

The Department should:

- Perform and document quality assurance reviews and biannual contract reviews as required.
- Clarify when quality assurance reviews should be performed during the life of a contract, including any circumstances that may warrant the need for a review to be performed.

- Develop and document policies and procedures for performing biannual contract reviews.
- Prepare and maintain documentation of the enhanced monitoring plan activities that are performed.
- Ensure that vendor payments are supported by documentation that shows that its staff received, reviewed, and accepted applicable deliverables prior to approving payment for those deliverables.

### **Management's Response**

*DSHS and HHSC agree with the recommendations.*

- *HHSC Contract Oversight and Support (COS), which supports DSHS, will (1) create procedures addressing the performance of quality assurance reviews for contracts that require enhanced monitoring; and (2) clarify the requirements regarding enhanced monitoring in the HHS Contract Management Handbook (CMH).*
- *The DSHS Contract Administration Handbook was retired on October 9, 2017, and DSHS adopted the HHS Contract Management Handbook on that date. Therefore, specific requirements in that former guide are not being included in contract requirements any longer.*
- *In accordance with the HHS Contract Management Handbook, Section 5.16 - Enhanced Monitoring, Information Technology (IT) will ensure, through training, procedures, and management oversight, that enhanced monitoring plan activities are documented in the System of Contract Operations and Reporting (SCOR) for IT-managed contracts.*
- *Information Technology Business Operations, Procurement & Contracting Support Division, will update its procedures to ensure that IT contract managers receive, review and accept applicable deliverables for IT-managed contracts prior to approving payment for those deliverables.*

### **Implementation Date:**

*July 31, 2018 (bullets 1 & 2 have a date of 7/1/18, Bullets 3 & 4 as of 7/31/2018)*

**Responsible Person:**

*Deputy Executive Commissioner, Procurement and Contracting Services*

*Director of Information Technology Business Operations - Procurement and Contracting Support*

## ***The Department Complied with Contract Planning Requirements for a Major Information Resources Project***

---

**Chapter 4  
Rating:  
Low<sup>8</sup>**

The Department completed required contract planning activities necessary for defining the contract objective and the procurement approach for the TxEVER solicitation, including complying with the State’s Quality Assurance Team’s requirements for a major information resources projects (see text box for more information on the Quality Assurance Team’s requirements for a major information resources projects). Specifically, the Department:

- Appropriately planned for the procurement as a best value solicitation.
- Developed a detailed and reasonable cost estimate.
- Involved the appropriate levels of management and staff in the solicitation development process.
- Obtained approval from the Quality Assurance Team for TxEVER as required.

### **Quality Assurance Team Reporting Requirements**

Texas Government Code, Section 2054.303, requires state agencies to prepare and submit a *Business Case* and a statewide impact analysis to the Quality Assurance Team.

In addition, Article IX, Section 9.02 (b), General Appropriations Act (84th Legislature) specifies that a state agency may not expend appropriated funds for a major information resources project unless the project has been reviewed and approved by the Legislative Budget Board in its biennial operating plan and by the Quality Assurance Team.

Sources: Texas Government Code, Section 2054.303, and General Appropriations Act (84th Legislature).

### **Management’s Response**

*DSHS and HHSC appreciate SAO’s observations regarding on this item and have no additional comments.*

---

<sup>8</sup> Chapter 4 is rated Low because 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.

# Appendices

Appendix 1

## **Objective, Scope, and Methodology**

---

### **Objective**

The objective of this audit was to determine whether the Department of State Health Services (Department) and the Health and Human Services Commission (Commission) have administered certain contract management functions for selected Department contracts in accordance with applicable requirements.

### **Scope**

The scope of this audit covered the Commission's and Department's contract with Genesis Systems Inc. for the acquisition, installation, development, and maintenance of the Texas Electronic Vital Events Registrar (TxEVER) system, which is a Web-based software application intended to replace the existing Texas Electronic Registrar system that manages vital records for the Department's Vital Statistics Unit. Auditors tested transactions from the inception of the current contract on June 1, 2016, through August 31, 2017. The audit reviewed all phases of the contract management process (planning, procurement, formation, and oversight) for the contract through August 31, 2017.

### **Methodology**

The audit methodology consisted of collecting and reviewing contract documentation, including the contract; conducting interviews with Commission and Department staff; reviewing statutes and rules, Office of the Comptroller of Public Accounts requirements, Commission and Department policies and procedures; and performing selected tests and other procedures. The selection methodology for the contract was a risk-based approach that reviewed the contract dollar amount, type of contract, and recent audit coverage for the Department's contracts.

### **Data Reliability and Completeness**

Auditors used expenditure information in the Uniform Statewide Accounting System (USAS) and relied on prior State Auditor's Office audit work to determine whether that data was sufficiently reliable for the purposes of this audit. Additionally, auditors relied on prior State Auditor's Office audit work to test user access and performed a limited review to ensure proper

segregation of duties in the Health and Human Services Administrative System.

### **Sampling Methodology**

Auditors tested all 12 payments that the Department paid to Genesis Systems Inc. from June 2016 through August 2017. However, to verify whether the Department performed certain monitoring activities required by the Department's enhanced monitoring plan for the contract, auditors used a risk-based approach to select and review records and other documentation to determine whether (1) concerns or problems that Department staff identified with contract deliverables were resolved, (2) Genesis Systems Inc. submitted weekly status reports as required, and (3) Department management held certain project status meetings when required based on the dates of the Department's payments to Genesis Systems Inc.

Information collected and reviewed included the following:

- Contract and amendment between the Commission, the Department, and Genesis Systems Inc.
- Commission and Department policies and procedures, including procurement manuals and contracting manuals.
- Commission and Department personnel training and certification records, disclosure forms, and nondisclosure forms.
- Commission and Department planning and procurement records, including solicitation documentation, evaluation criteria and documentation, and other related supporting documentation.
- Department quarterly status reports and other related documentation submitted to the Quality Assurance Team.
- Department expenditure data from USAS and the Health and Human Services Administrative System.
- Department payment documentation, including contractor invoices, approvals, and other supporting documentation.
- Department of Information Resources' memorandums and other related documentation.
- Office of the Comptroller of Public Accounts' franchise tax records and contract management training information.

- Information on Department contracts from the Legislative Budget Board contract database.
- Prior State Auditor's Office information technology work.

Procedures and tests conducted included the following:

- Interviewed Commission and Department management and staff.
- Reviewed Commission and Department contract management policies and procedures.
- Tested whether the Commission's purchasing staff and Department's contract managers met training and certification requirements.
- Tested whether the Department complied with applicable requirements for planning the solicitation for TxEVER.
- Tested whether the Commission properly documented bid evaluation criteria and evaluation scores.
- Tested the Commission's compilation of evaluators' scores and whether the Commission verified the mathematical accuracy of the final scores.
- Tested criteria the Commission used to evaluate vendor proposals to determine whether it followed applicable requirements.
- Reviewed the contract and related supporting documentation to determine whether it was approved by appropriate management, included a reasonable and defined payment methodology, and included essential contract terms according to the *State of Texas Contract Management Guide*.
- Tested vendor payments for accuracy and compliance with contract terms and statutory requirements.
- Analyzed vendor payments for late payments, double billing, and potential duplicate vendor payments.
- Tested the Department's monitoring activities for compliance with its enhanced monitoring plan for the contract.
- Reviewed prior State Auditor's Office information technology work on USAS and segregation of duty controls related to purchasing in the Health and Human Services Administrative System accounting system.

- Review applicable Texas Project Delivery Framework reports to determine compliance with statutory reporting requirements.

Criteria used included the following:

- Texas Government Code, Chapters 322, 656, 2155, 2156, 2261, and 2262.
- General Appropriations Act (84th Legislature).
- Title 34, Texas Administrative Code, Chapter 20.
- *State of Texas Contract Management Guide* (Version 1.14, September 2015, Version 1.15, March 2016, and Version 1.16, September 2016).
- *State of Texas Procurement Manual* (2012).
- Contract agreement and amendment between the Commission, the Department, and Genesis Systems Inc.
- *Health and Human Services System Contract Management Handbook* (October 2015 and April 2016).
- Department of State Health Services' *Contract Administration Handbook*, (June 2016 and April 2017).
- *Health and Human Services Procurement Manual* (Version 1.1, April 2015).
- Commission and Department policies and procedures.

### **Project Information**

Audit fieldwork was conducted from October 2017 through February 2018. 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:

- Willie J. Hicks, MBA, CGAP (Project Manager)
- Valeria Aguirre, MPA (Assistant Project Manager)
- Morgan Burandt, CPA

- Allison Fries
- Cameron Scanlon, CFE
- Dana Musgrave, MBA (Quality Control Reviewer)
- James Timberlake, CIA, CFE (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.

## The Evaluation Process for the Texas Electronic Vital Events Registrar System

The evaluation process that the solicitation for the development and maintenance of the Texas Electronic Vital Events Registrar (TxEVER) system specified that each vendor proposal would be evaluated according to the six best value criteria parts listed in the solicitation (see Table 3).

Table 3

Best Value Criteria with Corresponding Weights and Criterion			
Part	Description of Best Value Criteria	Weight (max points)	Number of Criteria Evaluated Per Part
1	Best fit to meet the requirements of scope with minimum impact to the internal and external stakeholders.	30	11
2	Technical proposal as described in the request for proposal (RFP).	20	21
3	Approach to TxEVER implementation and customization as described in the RFP.	15	5
4	Proposal cost for implementation, customization, and support of the system.	15	3
5	Approach to TxEVER application support.	15	3
6	Corporate background and experience.	5	4
<b>Totals</b>		<b>100</b>	<b>47</b>

Sources: The Commission and the Department.

The evaluation process involved the following:

- **Evaluation Team.** The evaluation team consisted of 17 team members (one team lead, which was the assigned purchaser, and 16 team members selected from various programs within the Department of State Health Services). The team members were assigned to three specialized evaluation teams:
  - ♦ **Business Proposal Team** - Reviewed certain criteria for Parts 1, 3, 5, and 6 of the vendor proposal.
  - ♦ **Technical Proposal Team** - Reviewed certain criteria for Parts 2, 3, and 5 of the vendor proposal.
  - ♦ **Cost Proposal Team** - Reviewed criteria for Part 4 of the vendor proposal.

The evaluation teams scored the criteria for each part using a rating scale from 0 to 10, with a rating of “0” indicating “No Response” and a rating of “10” as “Exceptional.” The team lead reviewed the evaluation teams’ scores to identify outliers. The evaluation team then met to discuss reasons for any outliers identified and rescored those outliers.

- **Evaluation Tool.** The team lead used the Health and Human Services Commission’s Procurement and Contracting Services evaluation tool to combine the evaluation teams’ scores for each criteria and calculated the final evaluation score for each part. The final evaluation score for each part should have been based on calculating the average score for each criteria and then applying the assigned best value criteria weight defined in the solicitation. However, auditors identified errors with that calculation (see Chapter 1-A for more information about those errors).

## Procurement Timeline

Table 4 provides a timeline of important dates related to the Health and Human Services Commission's (Commission) and the Department of State Health Services' (Department) procurement of the contract for the development and maintenance of the Texas Electronic Vital Events Registrar (TxEVER) system.

Table 4

Time Line of Important Dates Related to the Commission's and Department's Procurement of the Contract for the TxEVER System January 2015 through January 2019	
Date	Event
January 5, 2015	The Commission and the Department hold the procurement kick-off meeting.
November 5, 2015	The Commission posts the solicitation for TxEVER on the Office of the Comptroller of Public Account's <i>Electronic State Business Daily</i> Web site.
November 12, 2015	The Commission holds the kick-off meeting for the evaluation team.
December 7, 2015, through January 18, 2016	The evaluation team evaluate and score vendor proposals. The final evaluation scores are calculated by the Commission's purchasing staff.
January 22, 2016	The Commission notifies Genesis System Inc. that it is a finalist for the TxEVER procurement.
March 18, 2016	The Commission sends an award recommendation to the Department, recommending that the contract be awarded to Genesis Systems Inc.
April 2016 and May 2016	Negotiations between the Department and Genesis Systems Inc. take place.
June 1, 2016	The contract between the Commission, the Department, and Genesis Systems Inc. is executed.
September 1, 2016	The Department of Information Resources sends formal letters notifying the Office of the Comptroller of Public Accounts, the Legislative Budget Board, and the State Auditor's Office that the Department was non-compliant with statutory requirements regarding state agency use of the Statewide Data Center Services Program. <sup>a</sup> (See Chapter 2-A for more information on Texas Government Code, Section 2054.391.)
June 22, 2017	The Commission executes Amendment No. 1 to the contract with Genesis Systems Inc. to change the scope of work of the contract to require TxEVER to be hosted by the Statewide Data Center Services Program.
January 1, 2018	The original go-live date tentatively scheduled for TxEVER.
January 1, 2019	The revised go-live date tentatively scheduled for TxEVER after the execution of Amendment No. 1.
<sup>a</sup> Texas Government Code, Section 2054.391, states that a state agency may not transfer services from the Statewide Data Center Services Program unless the Department of Information Resources and the Governor approve the transfer. In addition, if the Department of Information Resources determines a state agency has violated this requirement, it is required to notify the Office of the Comptroller of Public Accounts, the Legislative Budget Board, the State Auditor's Office, and the state agency that is in violation. Upon notification of a violation, a state agency may not spend appropriated funds on the information technology services that should be performed through the Statewide Data Center Services Program.	

Sources: The Commission, the Department, and the Department of Information Resources.

## Related State Auditor's Office Work

---

Related State Auditor's Office Work		
Number	Product Name	Release Date
16-031	An Audit Report on a Selected Contract at the Department of State Health Services	June 2016
15-030	An Audit Report on Procurement for Terrell State Hospital Operations at the Health and Human Services Commission and the Department of State Health Services	March 2015
15-017	An Audit Report on the Telecommunications Managed Services Contract at the Health and Human Services Commission	December 2014
14-035	An Audit Report on Selected Contracts at the Health and Human Services Commission	June 2014
14-020	A Report on Analysis of Quality Assurance Team Projects	February 2014
14-013	An Audit Report on Information and Communications Technology Cooperative Contracts at the Health and Human Services Commission	December 2013