



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

**REPORT ON THE AUDIT OF THE
PROGRAM VENDOR MANAGEMENT FOR
FEMA INDIVIDUAL ASSISTANCE PROGRAMS**

August 2020

OVERALL CONCLUSION

The General Land Office's Community Development and Revitalization (GLO-CDR) program has established policies and Standard Operating Guidelines (SOG) to govern the monitoring of third-party operations of the Direct Assistance for Limited Home Repair (DALHR) and Temporary Housing Programs. Each program generally provided reasonable assurance of compliance with federal and state laws and regulations, as well as with agency contract management and vendor monitoring policies.

While there are controls in place, the audit identified certain gaps in policies and procedures that contributed to control weaknesses in both the design and effectiveness of operations. Specifically, the areas identified and discussed are associated with:

1. Ensuring contractual agreements include necessary terms and conditions for the Safeguarding of Personal Identifiable Information (PII) and Data Governance.
2. Revising policies and procedures to document critical vendor management processes.
3. Revising procedures to enable the identification and analysis of substantive changes to contracts and agreements.
4. Revising contracts to include monitoring activities and performance reporting for subcontractors.
5. Establishing metrics for monitoring contract costs.
6. Reviewing and revising risk criteria used to identify contracts to be included in the annual contract monitoring plan.

During the audit, there were additional areas of consideration identified as opportunities for improvement, in which the agency could strengthen its internal controls associated with vendor management processes but were not deemed as significant. These areas were presented to management in a separate communication.

MANAGEMENT'S SUMMARY RESPONSE

The Texas General Land Office's Community Development and Revitalization, Contract Management, and Enterprise Technology Solutions (ETS), generally concurs with the recommendations, particularly with recommendations that will enhance program operations.

The FEMA Individual Assistance (IA) pilot program was quickly and aggressively developed and implemented by GLO-CDR with little to no precedence or established guidance from FEMA. The result

was a program that required agility and quick responsiveness when direction was provided by FEMA, as challenges were identified, and services were provided to applicants impacted by Hurricane Harvey. Cognizant that the FEMA IA program was being developed, implemented, and administered at times simultaneously, the recommendations noted in this report will be incorporated into the current program where still possible.

The program is in the pre-closeout phase with the program ending on August 25, 2020, and the administrative contract closeout of the Inter-governmental Service Agreement (IGSA) expected in November 2020; therefore, our responses take into consideration the cost-benefit of implementing the recommendations within current program functions or incorporating them into the Lessons Learned document. The Lessons Learned document includes best practices, improvements, and modifications identified throughout the lifecycle of the IA programs. The intended objective was to create a program manual that can be easily deployed in the event the GLO-CDR should receive funds to administer future IA programs. The recommendations in this report will be used to strengthen the processes, procedures, and functions to minimize weaknesses in the program control environment.

The “Detailed Results” section of this report contains management’s response to each observation.

ACKNOWLEDGEMENTS

The GLO-CDR program, Contract Management, and Enterprise Technology Solutions divisions are to be commended for their commitment to serving the people of Texas through their tireless efforts in the administration and monitoring of the disaster recovery efforts. We appreciate the assistance and cooperation provided to us by the management and staff of these areas during this audit.

For questions about this report, please contact DeQuincy Adamson at (512) 463-8142, or me at (512) 463-6078.



Tracey Hall, CPA, CISA
Chief Auditor of Internal Audit

August 31, 2020
Date

OBJECTIVES

The General Land Office's (GLO), Office of Internal Audit conducted a co-sourced audit risk assessment, in coordination with Ernst & Young (EY), related to the GLO's administration of Hurricane Harvey recovery programs including the short-term direct housing recovery program governed by the Inter-Governmental Service Agreement (IGSA) between the GLO and the Federal Emergency Management Agency (FEMA). The IGSA was designed to establish an agreement between FEMA and the GLO for the provision of direct housing assistance to individuals and households displaced from their pre-disaster residences. As a result of this risk assessment, the Vendor Management of the Individual Assistance programs administered by the GLO was identified as an area of potential risk. The Individual Assistance programs included in the scope of this audit were the Direct Assistance for Limited Home Repair (DALHR) and the Manufactured Housing Units and Recreational Vehicles (MHU/RV) programs.

The objective of this audit was to evaluate the policies, procedures, and controls of the current framework of the GLO's management of vendors contracted to support the GLO in administering and monitoring the execution of the Individual Assistance programs (DALHR and MHU/RV) in accordance with the IGSA.

SCOPE & METHODOLOGY

The scope of the audit consisted of reviewing and evaluating information and documents associated with vendor management of the FEMA individual assistance programs (DALHR and MHU/RV) from September 1, 2017 through June 30, 2019.

To accomplish the objective, auditors:

- Evaluated GLO's end-to-end vendor management process through the review of existing policies, procedures, and interviews with staff to identify gaps, risk exposures and improvement opportunities
- Performed data analytics on population data, where applicable, to identify potential exceptions, trends, or continuous monitoring opportunities
- Performed sample testing based on assessment of high-risk areas to evaluate the operating effectiveness of controls
- Evaluated IT systems and controls associated with vendor management to evaluate the effectiveness of the existing technology and systems landscape

The audit was conducted in accordance with *Government Auditing Standards* and *International Standards for the Professional Practice of Internal Auditing*. These 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.

BACKGROUND INFORMATION

On August 25, 2017, the President declared major disaster DR-4332 (Hurricane Harvey) for the State of Texas (State) pursuant to his authority under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.). This declaration authorized FEMA to provide financial assistance and direct services, under Section 408 of the Stafford Act, to individuals and households “who, as a direct result of a major disaster, have necessary expenses and serious needs in cases in which the individuals and households are unable to meet such expenses or needs through other means,” such as insurance.

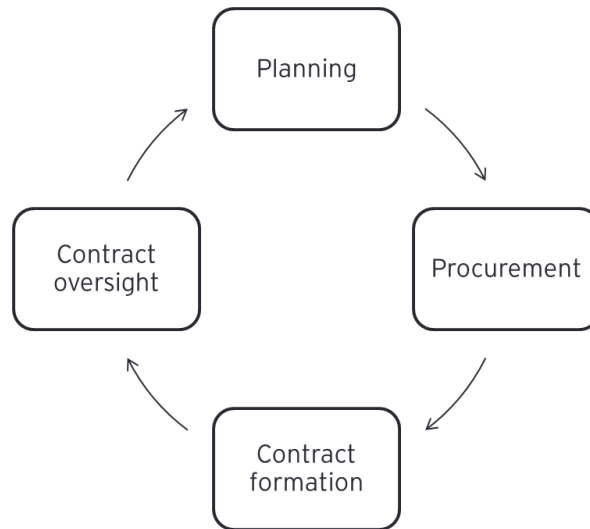
FEMA partnered with the State in a pilot program to enable the State to execute its short-term housing programs. The State designated the Texas General Land Office (GLO) as the lead state agency for this pilot program. On September 22, 2017, the GLO and FEMA entered into an Intergovernmental Service Agreement (IGSA) for the provision of direct housing assistance for Hurricane Harvey. The GLO has contracted with various entities to assist in its administration of the recovery programs including providing Manufactured Housing Units (MHUs) and Recreational Vehicles (RVs) to impacted citizens, conducting activities for the Direct Assistance for Limited Home Repairs (DALHR) program, project management, and other professional services.

To respond to the demand required to execute the Temporary Housing and DALHR programs, the GLO entered into 139 (63: Temp. Housing; 76: DALHR) work-order-driven contracts with builders for housing repairs, professional services firms and Interlocal Agreements with subrecipients or Councils of Government (COGs) for the provision of direct household assistance. The following table provides a summary of work-order-driven contracts by service type:

Service Type	Program	
	Temp. Housing	DALHR
Program Administration/Implementation <u>Temp. Housing:</u> Supply and delivery of MHUs; transportation, installation, and maintenance of MHUs and RVs; deactivation of temporary housing. <u>DALHR:</u> Residential construction repair and case management services	20	33
Interlocal Agreements	7	7
General Program Services (comprehensive program services, including financial, grant administration, housing programmatic, planning, monitoring and oversight, and project management duties)	36	36
Totals:	63	76

OVERVIEW OF THE GLO VENDOR MANAGEMENT PROCESS

The following graphic outlines the four categories of the vendor management lifecycle according to the GLO Contract Management Handbook: (1) Planning, (2) Procurement, (3) Contract formation and (4) Contract oversight.



The planning, procurement, and contract formation categories of the vendor management lifecycle were excluded from the scope of this audit and focused solely on Contract oversight activities for the FEMA individual assistance programs.

The GLO uses the following applications to assist in the end-to-end vendor management processes:

- Contract Lifecycle Management (CLM),
- CarbonCM

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DETAILED RESULTS

CHAPTER 1: ENSURE CONTRACTUAL AGREEMENTS INCLUDE NECESSARY TERMS AND CONDITIONS FOR THE SAFEGUARDING OF PII AND DATA GOVERNANCE

Through review of monitoring activities for the FEMA Individual Assistance programs, auditors noted one of the five sampled contracts for a general service contractor, did not contain terms and conditions related to security and privacy compliance, such as safeguarding PII and Sensitive PII (SPII), data ownership, breaches of security and the right to audit. However, the contracts did contain a confidentiality clause referencing the Privacy Act of 1974 as amended through 5 U.S.C. § 552a, a federal law governing the collection, maintenance, use, and dissemination of PII on individuals that is maintained in systems of records by federal agencies.

Evidence of monitoring activities was provided for four of the five selected contracts. The absence of security and privacy terms and conditions in contracts and/or work orders increases the risk of noncompliance with Federal and State laws governing the GLO and its contracted vendors to properly safeguard PII and related Federal award information and to assess third-party security and privacy control environments through monitoring and audits.

RECOMMENDATIONS FOR MANAGEMENT

1. Ensure that federal funded contracts, where the third-party has, or is granted access to PII and SPII, include necessary terms and conditions for security and privacy compliance.
2. Review active contracts to identify if a contractor has access to PII or SPII, and where applicable seek to include terms and conditions for safeguarding PII and SPII.

MANAGEMENT'S RESPONSE

The Witt O'Brien contract ended on August 31, 2018, and program activities identified in the contract were completed well in advance of that date. CDR continued enhancing the security clauses for vendor contracts, the Witt O'Brien contract was completed before having the opportunity to include the security language updates that were implemented for other long-standing contracts.

Future FEMA funded contract work orders will include the GLO security appendix, which would specifically reference the HSAR compliance required by FEMA. A security appendix template for FEMA funded contracts has been created for that purpose and would continue to be updated based on new IGSA or other federal Grant language requirements. This recommendation will be part of the Lessons Learned document to ensure that future IA programs and specifically resulting contracts have clear and direct language regarding PII/SPII requirements.

Implementation Date: New GLO security template will be used in future contract work orders for the FEMA program.

Contact(s)

Dr. Christa Lopez, Deputy Director of Operations, CDR

Kelly McBride, Director of Contract Management

CHAPTER 2: REVISE POLICIES AND PROCEDURES TO DOCUMENT CRITICAL VENDOR MANAGEMENT PROCESSES

The CDR program has established policies and procedures for directing operations of the FEMA Individual Assistance programs. However, roles and responsibilities among the programs and functions are not clearly defined to prevent gaps and avoid duplication of efforts. During the review, auditors identified gaps where procedures were not documented, including:

- Federal requirements and performance expectations as required by 2 CFR 200.328, *Monitoring and Reporting Program Performance*. Such federal requirements include activities to conduct oversight responsibilities, proactive monitoring of costs, subcontractor monitoring, and documentation storage and retention.
- Defined roles and responsibilities to monitor third-party use of PII and assess controls at the third-party level to secure PII.
- Maintenance of consistent evidence of monitoring activities for all disaster recovery vendors.

Without comprehensive vendor management procedures formally documented in policies governing roles and responsibilities, GLO staff within the various program areas administering the individual assistance programs may perform activities that do not conform to federal requirements, may be unable to meet the requirements due to increased program activity, or may be unaware of federal requirements governing the administration of the programs. Documented support of the GLO's monitoring activities will ensure compliance with federal program monitoring and performance reporting requirements in accordance with 2 CFR 200.328. Clear lines of responsibilities will ensure the proper allocation of resources across programs and functions.

RECOMMENDATIONS FOR MANAGEMENT

Management should:

1. Review policies and procedures to document processes critical to vendor management with clearly defined roles and responsibilities among the various programs and functions. Where applicable, federal requirements should be referenced and properly defined to provide guidance in directing the oversight of federal funded programs and contractors. Specifically, procedure manuals should address the following:
 - a. Risk assessment models to determine the program and contractor risks.
 - b. Monitoring contractor progress to achieve the program's goals.
 - c. Monitoring of information systems that are used in achieving the objective of the federal award supported activities.
 - d. Review of expensed federal funds for cost containment and assurance of the allowability of costs in accordance with the federal award.
 - e. Reporting program performance to the appropriate levels of management.
2. Consider developing a Responsible, Accountable, Consulted and Informed (RACI) matrix, that defines the roles and responsibilities associated with completing tasks and deliverables in relation to vendor management.

MANAGEMENT'S RESPONSE

There were no formal procedures for review of program information provided by Horne, GLO staff reviewed and discussed issues on a daily basis, and often more as was necessary. Both GLO and Horne staff officed together, which facilitated the review and discussion of program and financial information. This collaboration was essential in refining policies, procedures and functions in light of the limited program guidance provided by FEMA. The Horne reports were also saved in the program's SharePoint Reference Library. The Witt O'Brien contract officially ended on 8/31/2018, and work against the contract was finished even before that date.

The GLO-CDR created a Business Management Team (BMT) that is tasked with creating formal policies and procedures to evaluate financial and program information to ensure contract deliverables are provided. The creation of the BMT was in part a result of the refinements identified within the FEMA program, and specifically, the recommendation noted in the report. The existing BMT function will be incorporated into the Lessons Learned document to ensure the necessary oversight of vendor performance is formally incorporated into future FEMA programs. This will include daily occurring oversight activities to ensure that future policies and procedures include the formal steps and schedules of the activities performed.

Implementation Date: GLO-CDR recognizes the benefit of enhancing the monitoring process over vendors and will ensure our Lessons Learned/End of Program document incorporates the noted recommendations for an improved future program.

Contact(s)

Dr. Christa Lopez, Deputy Director of Operations, CDR

Martin Rivera, Deputy Director of M&QA, CDR

CHAPTER 3: REVISE PROCEDURES TO ENABLE THE IDENTIFICATION AND ANALYSIS OF SUBSTANTIVE CHANGES TO CONTRACTS AND AGREEMENTS

Through review of policy and documented procedures, auditors noted that the GLO does not maintain written procedures outlining steps to identify changes to contracts and whether the changes are considered substantive. The State of Texas Procurement and Contract Management Guide defines substantive changes as those contractual changes that affect the rights of both executing parties (*e.g., change in the price of the contract, delivery schedule, quantity, deliverables, key personnel, or any terms and conditions*). The GLO Contract Management Handbook cites Texas Government Code §2155.088, *Purchasing*, stating that substantive changes are measured by determining if the extent of the change so substantially alters the original specifications that not re-advertising the revised specifications would deny a potential vendor or contractor an opportunity to respond. If a revision is deemed to be substantive, a new solicitation is needed to ensure compliance with the bidding statutes.

During the review of vendor contracts, auditors noted a contract for a general service provider for the individual assistance programs whose original contract value increased by over \$23.4 million, from \$13,473,605 to \$37,196,689 (175%), from the execution date of the first work order on January 3, 2018 to the third work order date of August 27, 2019. The GLO had not identified the contract changes as substantive, which should have triggered a bidding process; or alternatively, required the execution of an emergency contract for the expansion of the scope of work.

Federal regulations require the GLO to perform a cost or price analysis for each procurement action, including contract modifications, per 44 CFR 13.36. The Department of Homeland Security, Office of Inspector General (DHS-OIG) has issued reports on other non-Federal agencies that include findings regarding inadequate analysis of costs in awarding contracts and the lack of grant monitoring. Such findings in these DHS-OIG reports recommend FEMA to disallow expenditures as ineligible contract costs for similar disaster programs.

The absence of the identification and documented analysis of contract modifications as a substantive change, prior to executing contract amendments, may impact the GLO's ability to comply with Federal and State procurement standards requiring competitive bidding for substantive changes to contract agreements.

RECOMMENDATIONS FOR MANAGEMENT

The GLO should:

1. Develop or revise procedures to include objective criteria to assist management in the identification and analysis of potential substantive changes to existing contracts before an amendment is executed. The procedures should indicate who is responsible for preparing, reviewing and approving the analysis. When a change is determined to be substantive, the criteria should define what actions management should take in complying with Federal and State requirements, such as soliciting the revised scope of services (changes) in accordance with bidding statutes or executing an emergency contract.

2. Ensure documentation of the conducted cost or price analysis (whether it is determined to be a substantive change, or not) is retained in accordance with GLO documentation retention policy to comply with Federal requirements for procurement and documentation retention.

MANAGEMENT'S RESPONSE

As noted in our opening remarks, GLO-CDR's Harvey Temporary Housing program was being simultaneously developed, implemented, and administered resulting in redefining and creating program tasks as knowledge was provided by FEMA and actual information was received from the field. As the needs of the programs changed based on actual program data, it became necessary to modify existing contracts to incorporate material changes to program activities and operations.

GLO's Contract Management Division (CMD) has enhanced its monitoring process by conducting a review of each contract over \$5M.

The existence of the Governor's Disaster Declaration Letter for Hurricane Harvey waived several procurement laws during the emergency proclamation. However, we concur with the benefit of establishing a formal process for determination of scope changes and associated costs to ensure the consistent documentation of amendments as well as identifying any exceptions and ensure they are documented and justified. The Lessons Learned document will incorporate the recommendation through the development of a policy that outlines this process for documenting substantive changes and costs to contract amendments.

Implementation Date:

CMD, OGC, and Procurement will develop a policy that defines a substantive change to a contract, as well as how that approval will be documented - 12/31/2020

Contact(s)

Dr. Christa Lopez, Deputy Director of Operations, CDR

Kelly McBride, Director of Contract Management

CHAPTER 4: ENSURE VENDOR CONTRACTS INCLUDE MONITORING ACTIVITIES AND PERFORMANCE REPORTING FOR SUBCONTRACTORS

A contracted general service provider, assisting the GLO with administering the individual assistance programs, has a subcontract agreement with a third-party provider for the usage of the CarbonCM application. CarbonCM is used to record, store and report data and the progress of program activity to the GLO Director of FEMA Programs, the Director of FEMA Integration, and other GLO stakeholders. The data includes applicant PII (e.g., contact information, physical address, date of birth), contract invoices and supporting documentation, the status of recertifications, maintenance, installation, revocations, and financial information on contractor spend per applicant.

The contract between the contractor and subcontractor grants the use of CarbonCM to the contractor to perform its contractual obligations with the GLO (*the GLO does not have a contract with the third-party provider/subcontractor*). The contract between GLO and contracted general service provider does not require the contractor to perform monitoring activities on the subcontractor and report the results to the GLO in accordance with 2 CFR 200.328, *Monitoring and Reporting Program Performance*. Requested evidence of the contractors performed monitoring activities on the subcontractor and CarbonCM being conducted and reported to the GLO, was not provided.

The absence of the GLO's contractual ability or assurance that monitoring activities are conducted on the subcontractors' use of PII and controls in place to secure PII, identifies possible weaknesses in the control environment of CarbonCM. The lack of monitoring requirements in the contract between the GLO and contractors or subcontractors, limits the GLO's ability to monitor and report on the performance of CarbonCM, as required by 2 CFR 200 and FEMA federal regulations.

RECOMMENDATIONS FOR MANAGEMENT

The GLO should:

- 1) Ensure that contracts include requirements for the monitoring and reporting of subcontractor performance to the GLO. Assess additional executed third-party contracts to identify if similar updates or revisions are needed to meet the requirements.
- 2) Develop clear monitoring activities that should be performed by contractors of subcontracted services providers. Monitoring activities include assessing subcontractor's security and privacy controls, reviewing and assessing the Service Organization Control (SOC) 2 reports of third-party service providers, and assessing vulnerability scans in the cloud-hosted environments.
- 3) Define the frequency of monitoring, and reporting, as well as the responsible personnel.

MANAGEMENT'S RESPONSE

Noted and agreed. Future contracts/work orders will include language to require more defined and formal monitoring of sub-contractors.

Despite some missing language in the contract, PII access controls, SOC 2 reports, and vulnerability scans are performed by our general services vendors for the CarbonCM system on a regular basis.

Vulnerability Scans and Reports: Monthly since November 2018 (see example attached “CTEH – Qualys Report...” and “CTEH – DBFLEX...”)
SOC 2 Report: Initially / Upon Request since November 2018 – Annually requested and reviewed by IT Director
SOC 2 Bridge Letters: Quarterly / upon request since March 2019
Pen Testing: First one performed and delivered to the GLO in April 2020
IT / Data Management Policies: Upon request since program inception

Implementation Date: April 2020

Contact(s)

Dr. Christa Lopez, Deputy Director of Operations, CDR

CHAPTER 5: ESTABLISH METRICS FOR MONITORING CONTRACT COSTS

While CDR has developed procedures and tools for contract oversight of the FEMA Individual Assistance programs, it has not formally documented monitoring metrics and communicated them to its contractors in accordance with 2 CFR Part 200.328, *Monitoring and Reporting Program Performance*, and the GLO's Contract and Monitoring Handbook. Auditors noted that CDR does not have an established process to monitor costs incurred by contractors to identify potential budget overruns and contain costs to appropriate levels. The absence of established metrics that are utilized by CDR in administering the programs may lead to the inability to contain contractor costs, manage program delivery challenges, and properly report on the performance expectations relative to contract obligations.

Federal guidelines state that a non-federal entity must monitor its activities under federal awards to assure compliance with applicable federal requirements and the achievement of performance expectations. In addition, the Department of Homeland Security – Office of Inspector General (DHS-OIG) has identified findings regarding states and local governments that did not monitor its subgrantees to ensure compliance with federal regulations (*DHS-OIG Report 19-63*).

The GLO's Contract and Monitoring Handbook states that selected contracts should be monitored to verify that the contractor is performing effectively and efficiently in accordance with contractual obligations. Contract monitoring includes planned, ongoing, periodic or unscheduled activities that measure and ensure compliance with the terms, conditions, acquisition, service delivery and related requirements of a contract.

Currently, monthly progress reports are submitted to CDR from general services contractors, which are responsible for performing FEMA Individual Assistance program management services on behalf of the GLO. The progress reports describe what has been accomplished for the reporting period, including vendor invoice processing, recertifications, program overview, associated Council of Governments (COG) program overviews and closeout status. Additionally, CDR holds a weekly call with the COGs to discuss program status and program delivery challenges. Evidence of meeting minutes were observed as being documented and communicated to the participants of the calls.

RECOMMENDATIONS FOR MANAGEMENT

Management should develop a process to monitor cost incurred by contractors to identify potential budget overruns and where additional measures should be taken to contain costs to appropriate levels. Such a process should also include established metrics and documentation to be requested from monitored contractors to assist in evaluating the performance of the contractor. Documentation should support the contractual obligations, such as periodic cost reporting for contractors with time and material contracts.

MANAGEMENT'S RESPONSE

Noted and Agreed. A more formal monitoring plan and additional language included in contracts and Standard Operating Guidance (SOG) documents will be established in future programs. This has been added to our Lessons Learned document for future implementation, as the program is only running for one more week and the only contractor still on the program is Horne.

As stated in Chapter 2 above, GLO verifies costs are valid and sufficient funding is available under the vendor contract and the IGSA to cover the cost. CMD is also monitoring contracts over \$5M annually.

Implementation Date: Contracts over \$5 million automatically receive annual monitoring. This change was implemented in time for the FY20 monitoring plan (created spring 2020).

Contact(s):

Kelly McBride, Director of Contract Management

CHAPTER 6: REVISE THE RISK CRITERIA UTILIZED TO IDENTIFY CONTRACTS TO BE INCLUDED IN THE ANNUAL CONTRACT MONITORING PLAN

The Contract Management Division (CMD) performs an annual risk assessment of contracts valued greater than \$25,000 to prioritize contracts based on the level of risk in the monitoring plan. CMD uses the Contract Lifestyle Management (CLM) system to perform and document its risk assessment.

Utilizing a standard questionnaire in CLM, CMD assigns a weighted value for each question. The weighted values are hidden from the questionnaire participant (a designated CMD employee), to prevent that person from inflating or deflating the risk score due to personal bias. CLM sums the weighted value responses and calculates a risk score for each contract. The CDM Director and Manager review the results of the questionnaires and resulting contract risk scores.

The monitoring plan for each selected contract is developed based on the following four criteria areas:

1. Risk score
2. Contract dollar value
3. Date the contract was last monitored
4. Whether the Procurement and Grants Review Committee (P&GRC) has designated a contract for Enhanced Monitoring

While CMD has established a formal annual risk assessment process to identify and assess contracts on a risk-based approach, auditors identified gaps in the design of the risk assessment, including:

- No process exists to trigger a periodic refresh of the annual monitoring plan for contracts that may experience change orders or amendments, or for contracts executed during the fiscal year.
- Criteria and thresholds that CMD has established are clearly defined in CLM. However, certain criteria and thresholds are excluded from the risk assessment which may exclude contracts that should be included and therefore limiting CMD's ability to assess the level of risk associated with all contracts subject to CMD's risk assessment process.
- Criteria and thresholds established may exclude contracts that should be subject to monitoring activities. Criteria examples that are not currently defined in CLM include percentage changes in contract value and changes in scope, as defined in a contract amendment.

Auditors observed that one general services providers' contract for the individual assistance programs was not included in the FY19 monitoring plan, even though its original contract value had increased by over \$23.4 million, from the execution date of the first work order on January 3, 2018 to the third work order date of August 27, 2019. The stated contract was selected and included in the FY18 monitoring review.

The absence of a refreshed assessment of contracts during a fiscal year may restrict the monitoring of contracts with the highest risks and exposure to the GLO, such as newly executed contracts or those that have undergone substantive changes.

RECOMMENDATIONS FOR MANAGEMENT

The Contract Management Division (CDM) should:

- 1) Consider reviewing the criteria, thresholds, and questions it uses in the risk assessment questionnaire and risk scoring to assess the level of risk of each contract in their selection of contracts in the annual monitoring plan.
- 2) Perform a periodic refresh of its annual monitoring plan to determine whether monitoring activities should be performed for newly executed contracts and those that have undergone substantive changes during the fiscal year. Such a process would also require that policies and procedures are revised to include responsibilities for performing the reassessment of risk, the frequency of the activity, and who is responsible for reviewing and approving changes to the monitoring plan.

MANAGEMENT'S RESPONSE

Contracts over \$5 million automatically receive annual monitoring. This change was implemented in time for the FY20 monitoring plan (created spring 2020).

CMD will review and revise the current policy to include recommendations.

Implementation Date: 10/31/2020

Contact(s)

Kelly McBride, Director of Contract Management

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