Texas Department of Banking Contract Management Guide and Handbook

Administrative Services Division
March 2026

Contents

1. INTRODUCTION 1
2. CONTRACT OVERVIEW 1
3. PROCUREMENT AND CONTRACT SERVICES 1
4. STATE PURCHASING STATUTES AND RULES 1
4.1 ENHANCED GUIDANCE FOR CONTRACTS OVER $1 MILLION 1
4.2 ENHANCED GUIDANCE FOR CONTRACTS OF AT LEAST $5 MILLION 2
4.3 ENHANCED GUIDANCE FOR CONTRACTS EQUAL TO OR GREATER THAN $10 MILLION 2
5. STATE AND AGENCY ETHICAL STANDARDS FOR OFFICERS AND EMPLOYEES 2
6. CONFLICT OF INTEREST 4
7. SIGNATURE AUTHORITY & APPROVALS 4
8. CONTRACT MANAGEMENT 4
9. CONTRACT REVIEW TEAM 4
10. CONTRACT MANAGEMENT ROLES 4
10.1 CONTRACT MONITOR 5
10.2 CONTRACT ADMINISTRATOR 5
11. VERIFICATION OF USE OF BEST VALUE STANDARD 5
12. VENDOR PERFORMANCE REVIEW 6
13. OTHER CONTRACT STAKEHOLDERS 6
14. CONTRACT CHANGE CONTROL 7
15. CONTRACT ISSUE MANAGEMENT 8
16. CONTRACT RISK MANAGEMENT 8
17. CONTRACT DISPUTES 10
18. CONTRACT REPOSITORY 10
19. CONTRACT FILES 10
20. CONTRACT RETENTION 10
21. POSTING CONTRACTS AND CONTRACT DOCUMENTS 11
22. CONTACTS 11
APPENDIX A: Conflict of Interest Statement 1
APPENDIX B: Internal Purchasing Procedures 2
APPENDIX C: Risk Assessment Matrix 1

1. INTRODUCTION

The Administrative Services Division of the Texas Department of Banking (Department) has developed this Contract Management Guide and Handbook for all Department employees who request goods and services. The Guide will be updated after each legislative session to reflect changes in procurement rules and policies. Department Procurement staff includes a Purchaser, Inventory and Store Specialist, Assistant Chief Financial Officer, and Chief Financial Officer (CFO). This Procurement staff shall stay current on all procurement rules, policies, and regulations and should be the primary source to provide guidance on procurement processes and procedures. Procurement staff coordinates all contracting activities closely with the Legal Division. The intent of this Guide is to assist in understanding the processes that must be followed in order to adequately manage contracts. Any questions, suggestions, or recommendations should be directed to procurement@dob.texas.gov.

2. CONTRACT OVERVIEW

A contract is a written document referring to promises or agreements for which the law establishes enforceable duties and remedies between a minimum of two parties. An original contract, amendment, modification, extension, purchase order (PO), interagency agreement, inter-local agreement, inter-cooperative contract, and a memorandum of understanding are all considered contracts.

3. PROCUREMENT AND CONTRACT SERVICES

The Procurement Section within the Administrative Services Division is responsible for coordinating and managing all procurement and contracting activities for the Department. Procurement staff are responsible for facilitating the procurement and contracting needs of the Department, as well as assisting staff at each office location with these functions and all purchases. Procurement efforts are focused on the purchasing and contracting activities which provide the best value for the Department. The mission of the Procurement Section is to have highly trained professional staff that approve, record, and process purchases of goods and services for the Department at the right time and best value. This mission and services must be consistent with state laws and regulations, Department purchasing procedures (**Appendix B**), and sound business judgment.

4. STATE PURCHASING STATUTES AND RULES

The Texas Comptroller of Public Accounts (CPA) identifies a list of governing statutes and rules in addition to publishing the Texas Procurement and Contract Management Guide that state purchasing programs must follow. As a SDSI, it is the intent of the Department to adhere to all applicable statues, rules and policies governing operations; however, the Department reserves the right to exercise reasonable discretion when making decisions to ensure the best value, meet business needs, and promote operational efficiency.

4.1 ENHANCED GUIDANCE FOR CONTRACTS OVER $1 MILLION

Under Texas Government Code § 2261.254, for all contracts over $1 million, the Department shall develop and implement contract reporting requirements that provide information on:

- Compliance with financial provisions and delivery schedules under the contract;

- Corrective action plans (CAPs) required under the contract and the status of any active correction plans; and
- Any liquidated damages assessed or collected under the contract.

In addition, the Department shall verify the accuracy of any information reported by a contractor and the delivery time of goods and services. All contracts over $1 million must be approved by the Department's governing body. As appropriate, the approval and signature authority may be delegated to the Banking Commissioner (Commissioner).

General Appropriations Act, Article IX, Section 7.11. Notification of certain purchases or contract awards, amendments, and extensions provides reporting and notice requirements to the Legislative Budget Board (LBB) before making payments on contracts over $10 million and certain contracts over $1 million.

4.2 ENHANCED GUIDANCE FOR CONTRACTS OF AT LEAST $5 MILLION

Under Texas Government Code § 2261.255, for all contracts of at least $5 million, the contract management office or procurement director must:

- Submit the contract for review and recommendation to the Comptroller's Contract Advisory Team (CAT);
- Verify in writing that the solicitation and purchasing methods and contractor selection process comply with state law and Department policy; and
- Submit information to the Department's governing body on any potential issue that may arise in the solicitation, purchasing, or contractor selection process.

4.3 ENHANCED GUIDANCE FOR CONTRACTS EQUAL TO OR GREATER THAN $10 MILLION

General Appropriations Act, Article IX, Section 9.02. Quality Assurance Review of Major Information Resources Projects provides reporting and notice requirements to the Quality Assurance Team (QAT) for review and the Legislative Budget Board (LBB) for approval for projects equal to or greater than $10 million.

5. STATE AND AGENCY ETHICAL STANDARDS FOR OFFICERS AND EMPLOYEES

All Department employees and officials who participate in state procurement and contracting activities shall adhere to the Department's Conflicts of Interest and Employee Conduct policy. Violation of this policy is subject to discipline, up to and including termination. All Department personnel involved in procurement or contract management must disclose any conflict of interest with respect to any contract with a private vendor or bid for the purchase of goods or services. State officials and employees are responsible for protecting the safety and welfare of the public's monies. All state officials and employees should endeavor to pursue a course of conduct that maintains public confidence. Therefore, they must avoid acts which are improper or give the appearance of impropriety. This conduct is particularly important for state procurement and contract management personnel who are charged with the disposition of state funds. State personnel must adhere to the highest level of professionalism in performing their official duties. The following paragraph is an excerpt from the Texas Procurement and Contract Management Guide's ethics laws and professional standards section regarding ethics for public procurement professionals:

"Public procurement professionals are the gatekeepers for the proper expenditure of the government's limited financial resources. They are entrusted to uphold the highest ethical standards and be good stewards of public funds with every purchasing decision they make. Ethical behavior and integrity are fundamental tenets of the public procurement profession that derive from values like "fairness," "honesty," and "accountability." When an individual's official duties clash with the individual's personal interests, a "conflict of interest" may occur; this conflict may impair one's judgement when trying to determine the proper course of action. Any erosion of public trust or perception of impropriety is detrimental to the integrity of the procurement process; therefore, all state employees involved in procurement activities must act in an ethical, impartial, transparent, and professional manner."

Under Texas Government Code § 2261.252, the Department may not enter into a contract exceeding $25,000 with a vendor if any of the following Department employees or officials have a financial interest in that vendor:

- A member of the Department's governing body;
- The Commissioner, Executive Deputy Commissioner, General Counsel, CFO, Assistant CFO, or Purchaser for the Department;
- A family member related to an employee or official described above within the second degree by affinity or consanguinity.

Having a "financial interest" in this section is defined as a state agency employee or official that:

- Owns or controls, directly or indirectly, at least one percent in the person, including the right to share in profits, proceeds or capital gains or;
- Could reasonably foresee that a contract with the person could result in a financial benefit to the employee or official.

A financial interest that is prohibited by this section does not include a retirement plan, a blind trust, insurance coverage, or an ownership interest of less than one percent in a corporation.

Under Texas Government Code § 572.054:

- A former member of the governing body or a former executive head of a regulatory agency may not make any communication to or appearance before an officer or employee of the agency in which the member or executive head served before the second anniversary of the date the member or executive head ceased to be a member of the governing body or the executive head of the agency if the communication or appearance is made:
    - With the intent to influence; and
    - On behalf of any person in connection with any matter on which the person seeks official action.
- A former state officer or employee of a regulatory agency who ceases service or employment with that agency on or after January 1, 1992, may not represent any person or receive compensation for services rendered on behalf of any person regarding a particular matter in which the former officer or employee participated during the period of state service or employment, either through personal involvement or because the case or proceeding was a matter within the officer's or employee's official responsibility.

6. CONFLICT OF INTEREST

All Department personnel involved in procurement or contract management activities must disclose to the Department any conflict of interest with respect to any new contract or renewal with a private vendor or bid for the purchase of goods or services. A Conflict of Interest Form (**Appendix A**) must be signed annually by any employee who participates in the development of contract specifications, solicitation documents, evaluations, negotiations, or contract monitoring activities. A violation of this provision is subject to discipline, up to and including termination. Any identified potential conflict of interest must be reported immediately to the Commissioner.

7. SIGNATURE AUTHORITY & APPROVALS

Prior to any contract execution, best value standards used for the contract must be documented and a written acknowledgement provided to demonstrate that the Department complied with this guide and the Texas Procurement and Contract Management Guide.

An authorized employee's signature on a contract will reflect a representation that the contract has been properly submitted, reviewed, and approved in accordance with all Department policies and procedures, and that the contract is in the best interest of the Department.

The following individuals are authorized to sign contracts on behalf of the Department:

- Commissioner, Executive Deputy Commissioner, General Counsel, CFO, and Purchaser.

No other employee may sign a contract binding the Department without a delegation of authority to do so.

8. CONTRACT MANAGEMENT

Contract Management refers to the entire contracting process, which involves planning, forming, and administering contracts through closeout. Contract management activities include administering and monitoring the contract after the award and during contract implementation by measuring completed work, computing and approving payments, monitoring contract performance, incorporating necessary changes and modifications to the contract, and actively interacting with the Contractor. Procurement staff will utilize this guide along with the Texas Procurement and Contract Management Guide to achieve contract objectives.

9. CONTRACT REVIEW TEAM

The Department Contract Review Team (CRT) is comprised of the Commissioner, Executive Deputy Commissioner, CFO, Assistant CFO, and a representative from the Legal Division. Proposed contracts, agreements or POs must be reviewed to ensure that they meet the criteria and requirements set by the Department. The CRT reviews significant procurements and contracts to help ensure efficiency, effectiveness, and best value and practices.

10. CONTRACT MANAGEMENT ROLES

Per Texas Government Code § 2261.256, each state agency must develop and comply with a purchasing accountability and a risk analysis procedure that provides for:

- Assessing the risk of fraud, abuse, or waste in the contractor selection process, contract provisions, and payment and reimbursement rates and methods for the different types of goods and services for which the agency contracts;
- Identifying contracts that require enhanced contract monitoring or the immediate attention of contract management staff; and
- Establishing clear levels of purchasing accountability and staff responsibilities related to purchasing.

10.1 CONTRACT MONITOR

A Contract Monitor must be assigned to every PO or contract. The Contract Monitor is responsible for the continual monitoring and day-to-day management of the contract's performance to ensure its compliance with terms and conditions as well as the forecasting and planning for contract renewals, changes, and close-outs. The Contract Monitor must understand the procurement timelines associated with renewals, solicitations, and transitions and ensure that those actions are initiated and planned by the division so as to start and finish within contract parameters and constraints.

Contract Monitors are:

- Full time employees and not contract employees;
- Expected to monitor the contract for the life of the contract;
- Required to review vendor performance and report the review to CPA at the termination of a contract;
- Responsible for their contract monitoring duties and may not delegate their duties to any other personnel; and
- Thoroughly familiar with the Department's Contract Management Guide and Handbook.

10.2 CONTRACT ADMINISTRATOR

A Contract Administrator is responsible for facilitating the procurement and contract management processes to ensure compliance with state laws, policies, and guidelines. Contract Administration involves the administrative activities associated with handling contracts. The role of the Contract Administrator is to complete the acquisition cycle, oversee the management of the contract, ensure Department needs are satisfied, and confirm the Contractor is fully compensated for services rendered or goods provided per contract terms and conditions. The Purchaser services as the primary Contract Administrator for the agency. The CFO and Assistant CFO serve in a secondary capacity when appropriate.

11. VERIFICATION OF USE OF BEST VALUE STANDARD

The best value selection of a contractor is based on a determination of which proposal offers the best trade-off between price and performance, where quality is considered an integral performance factor. The award decision is made based on multiple factors, including:

- Total cost of ownership meaning the cost of acquiring, operating, maintaining, and supporting a product or service over its projected lifetime;
- The evaluated technical merit of the vendor's proposal; the vendor's past performance; and

- The evaluated probability of performing the requirements stated in the solicitation on time, with high quality, and in a manner that accomplishes the stated business objectives and maintains compliance standards.

For each contract for which the Department is required to purchase goods or services using the best value standard, the CRT must:

- Ensure that the Department has documented the best value standard utilized for the contract;
- Approve the contract; and
- Acknowledge in writing that in its procurement, the Department complied with:
  - Its rules and policies;
  - Its Contract Management Guide and Handbook; and
  - The Texas Procurement and Contract Management Guide.

12. VENDOR PERFORMANCE REVIEW

After a contract with a value greater than $25,000 is completed or otherwise terminated, the Department is required to review the vendor's performance by filing a report through the Vendor Performance Tracking System maintained by CPA per Texas Government Code § 2155.089. For each purchase of goods or services for which the Department is required to use the best value standard, the Department shall ensure that the Vendor Performance Tracking System will include information on whether the vendor satisfied the best value standard.

13. OTHER CONTRACT STAKEHOLDERS

Legal Division

As requested, the Legal Division provides guidance, direction, and review to assist and ensure the contracting and procurement activities are compliant with applicable state laws, policies, and guidelines. Other Legal Division responsibilities include the following as requested:

- Provide guidance and direction through the solicitation, award, monitoring, and closeout processes to help ensure the Department is protected;
- Help to ensure that Department contracts can be monitored, and performance is measurable;
- Identify opportunities to improve clarity of responsibility and expectations documented in the contract;
- Provide "lessons learned" and feedback to determine where the Department can improve contract language to mitigate risk moving forward;
- Examine and recommend Commissioner action on two-party contracts;
- Provide guidance and direction on dispute resolution; and
- Identify state remedies, as appropriate, when a vendor's performance is deficient.

Administrative Services Division

- Ensure compliance with prompt payment;
- Validate and approve use of funds identified on contracts;
- Validate receipts are complete before issuing payment;
- Perform three-way match before issuing payment; and

- Immediately report to the Purchaser, Assistant CFO, CFO, and Executive Deputy Commissioner any of the following:
    - Conflict of Interest;
    - Potential Conflict of Interest;
    - Fraud;
    - Potential fraud;
    - Any incident that creates or may create an ethical issue;
    - Any incident that may lead to ethical questions, and/or;
    - Failure of a peer, self, contract monitor, or customer to abide by required procurement and contracting rules, laws, and policies.

Other Divisions

- Responsible for reviewing and evaluating requests and determining if specifications need to be modified or approved;
- Responsible for identifying to what extent and how their division will be impacted by the contract;
- Responsible for adhering to all procurement and contracting rules, policies, and procedures;
- Responsible for supporting the Contract Monitor and CRT;
- Immediately report to the Purchaser, Assistant CFO, CFO, and Executive Deputy Commissioner any of the following:
    - Conflict of Interest,
    - Potential Conflict of Interest;
    - Fraud;
    - Potential fraud;
    - Any incident that creates or may create an ethical issue;
    - Any incident that may lead to ethical questions, and/or;
    - Failure of a peer, self, contract monitor, or customer to abide by required purchasing and contracting rules, laws, and policies.

14. CONTRACT CHANGE CONTROL

A key aspect to effective contract management is the ability to manage change and have sufficient oversight to prevent scope creep, unauthorized work from being performed, and over billing. The Contract Monitor, Contract Administrator, and the end user all have a responsibility to ensure all contract changes are documented in the form of a modification, amendment, or change order. Changes not addressed through formal modification, amendment, or purchase order change notice (POCN) are considered non-compliant. Contract Monitors should implement a change control system for major contracts and keep a log of all requested changes. The change control system should account for evaluation of requested changes and approvals or denials of requested changes, and the date change was executed, if applicable. All changes must be within the scope of the original contract. Types of changes include work orders, administrative changes, substantive changes, and constructive changes, which:

- Must be documented in writing;
- Must go through the Procurement Section to be authorized; and

- Are not considered authorized until both parties of the contract have signed-off on changes and the Procurement Section has identified relevant items as being fully executed.

15. CONTRACT ISSUE MANAGEMENT

The Contract Monitor is the first person to know about and resolve issues related to contract performance. Contract Monitors should keep a log of all issues that arise during the life of the contract and document the timeline of the issue along with the resolution.

To prevent disputes, Contract Monitors will:

- Maintain regular communication with the contractor;
- Respond promptly to all contractor inquiries regarding contract concerns;
- Work with the Contract Administrator to develop a strategy to resolve issues and communicate to contractors;
- Thoroughly document all issues and communications pertaining to contract issues; and
- Use CAPs to address issues that are impacting performance of the contract.

16. CONTRACT RISK MANAGEMENT

Each state agency must develop and comply with a purchasing accountability and risk analysis procedure that provides for:

- Assessing the risk of fraud, abuse or waste in the contractor selection process, contract provisions, and payment and reimbursement rates;
- Identifying contracts that require enhanced contract monitoring or immediate attention of the contract management staff; and
- Establishing clear levels of purchasing accountability and staff responsibilities related to purchasing.

Performing risk assessments helps to determine the level of degree of oversight and participation from the end user. The Department has at its disposal a Risk Assessment Matrix (RAM) tool (Appendix C) to determine the risk level of a contract. Based upon the classification of risk, a contract may require enhanced levels of reporting. This assessment will enable the Department to anticipate, mitigate, or manage risks, and avoid or transfer risk in order to protect itself. Performing a risk assessment is an ongoing process throughout the life of a contract. The risk assessment, based on the complexity of a contract, should be conducted at the time the requisition is submitted to the Procurement Section, at the time of award, and throughout the life of the contract as needed based on current and relevant circumstances. Risks to the contract must be reviewed and evaluated by the Contract Monitor on a continual basis until the contract is fully performed and final payment has been rendered. In addition to using the risk assessment tool, Contract Monitors should keep a log for all major contracts, including major POs. This log should identify contract risk(s), mitigation plan or strategy for addressing the risk (s), and risk resolution (avoidance, transfer, elimination, sharing, and/or reduction to an acceptable level).

Under Texas Government Code § 2261.253 and other applicable law, procurement staff have responsibilities relative to discovering and reporting serious issues or risks on certain contracts.

Procurement staff shall notify executive management of any serious issues or risks related to certain contracts.

Risk Assessment Matrix (RAM) - Appendix C

The RAM is a tool to be used, based on relevant factors and circumstances stated above, by the CRT to identify areas of risk (the potential for loss, harm, or damage that may occur due to errors or issues associated with contractors' performance). This tool also allows staff to identify specific areas that may need enhanced monitoring.

Depending on the complexity of a particular procurement, the Department may choose to use this tool prior to: 1) awarding contracts from Requests for Proposals; 2) entering into new contracts with vendors; and 3) renewing existing contracts.

Risk factors are indicators that determine the risk of the contract or project objectives not being met. The risk factors in the RAM include:

- Type of contract purchase – competitive/non- competitive;
- Payment type/structure – budget allocated to the contract;
- The dollar amount of the contract;
- Essential department functions;
- Stability and experience of contractor's key management staff;
- Percentage of services performed by subcontractors;
- Compliance history;
- Past programmatic performance;
- Audit outcomes;
- Number of years in business;
- Performance measures;
- Deliverables; and/or
- Contracts with a value greater than $1 million – extent of financial reporting required.

Additional risk factors may be added as appropriate for contract risk assessment.

When using the RAM, each contractor should be rated on the risk elements using the range of Low (score 0 to 3), Medium (Score >3 to 8), or High (Score >8 to 10). Once the scores in the Overall Risk Score field are added, the ranges for the overall risk scores are:

Low Risk procurement:	0 – 39
Medium risk procurement:	40 – 104
High Risk Procurement:	105 – 130

While the RAM provides a quantitative method for risk analysis, judgement and experience should also be used as factors to determine the overall risk assessment.

Risk should be assessed on an on-going basis throughout the contract period. A new RAM should be completed when new risk conditions emanate from a substantial change (i.e., contractor's management or ownership changes). Contract management and monitoring activities should be adjusted to focus on the riskiest contractors during the entire contract

period.

17. CONTRACT DISPUTES

Despite best efforts, there is always the potential for a contract dispute. Contract Monitors should follow the steps below to informally address disputes.

- Identify the problem – many times what may appear to be a problem can be resolved by providing the contractor with information or clarification.
- Research facts – obtain all the information regarding potential problems from all relevant sources.
- Evaluation – review all the facts in conjunction with the requirements and terms and conditions of the contract. The Department should then determine the appropriate course of action.
- Corrective action – identification of problems early in the performance period, effectively communicating, and formalizing the process in writing via a CAP (contract performance is impacted) or a less formal written procedure (contract performance could be impacted if not resolved) is essential.
- Document all information related to the informal dispute until the informal dispute is resolved. Resolution must also be documented.
- Email Procurement staff and copy division management. The email should contain an overview of issues and actions taken towards resolution to date.
- The Administrative Services Division staff will provide guidance and assistance and escalate issues to the Legal Division if needed.
- The Administrative Services Division staff will facilitate resolution with all parties, with the assistance of the Legal Division.
- The Administrative Services Division staff will facilitate completion of an internal CAP and/or require the contractor to provide a formal CAP.
- As needed, the Legal division will provide guidance and direction on appropriate legal action if the vendor remains non-compliant.

18. CONTRACT REPOSITORY

All contracts will be stored within the Administrative Services Division. Procurement staff are responsible for ensuring contracts are labeled and filed appropriately. Additionally, Procurement staff are responsible for ensuring that all amendments, modifications, and POCNs are filed and updated upon change. Additional responsibilities include file verification and review, validation that all information for contracts is correct and up-to-date, and ensuring that discrepancies are resolved.

19. CONTRACT FILES

The Procurement Section will be responsible for maintaining an official contract file for all contracts that include the request, solicitation, responses, scoring, Best and Final Offers (BAFO), award documents, corrective actions, contract monitor reports, and change documents. The Contract Monitor is responsible for maintaining a working file that includes documents pertaining to any contract, issues, changes, risks, expenditures, invoices, payments, and correspondence.

20. CONTRACT RETENTION

The following is the required retention policy for all contract related documentation:

- For contracts executed on or after September 1, 2015, a state agency shall retain in its records each contract and related documents it enters into for a period of seven years after the contract expires, is terminated, or is completed, after all issues have been resolved. Along with the contract, all solicitation documents shall also be retained.
- For contracts executed prior to September 1, 2015, the records retention period is four years.

21. POSTING CONTRACTS AND CONTRACT DOCUMENTS

The Department will also comply with all procurement and contract posting requirements, including those described by Sections 2157.068, 2261.253, and 2261.256 of the Texas Government Code and applicable sections of the General Appropriations Act. The Administrative Services Division will be responsible for this compliance.

22. CONTACTS

Assistant Chief Financial Officer: (512) 475-1314

Purchaser: (512) 475-1364

Procurement@dob.texas.gov

APPENDIX A: Conflict of Interest Statement

CONFLICT OF INTEREST STATEMENT

I am aware of proposed contract number _____ for _____ to be entered into between the Texas Department of Banking (Department) and _____ (Contractor). I swear or affirm that neither I nor any family member related to me within the second degree of affinity or consanguinity have any ownership or control, directly or indirectly, of a financial interest of at least one percent in Contractor, including the right to share in profits, proceeds, or capital gains, or any other interest that could reasonably be foreseen to result in a financial benefit to me or my family member.

I understand that I have a continuing obligation to report any ownership or financial interest in or control of Contractor. Should I acquire any such ownership or financial interest or control subsequent to the execution of this Affidavit, I swear or affirm that I will disclose such interest or control to Agency within 30 days of acquiring such interest or control. I further swear or affirm that as long as I hold any such interest or control, I will not participate in any decision concerning Contractor.

_____
Signature

_____
Printed Name

_____
Title

_____
Date

TEXAS DEPARTMENT OF BANKING

★ *Dedicated to Excellence in Texas Banking* ★

ADMINISTRATIVE MEMORANDUM – 2025

January 30, 2026

TO: All Department of Banking Employees

FROM: Charles G. Cooper, Banking Commissioner

SUBJECT: Internal Purchasing Procedures[1]

Overview

The agency requires that its Purchasing Officer be a Certified Texas Contract Developer and a Certified Texas Contract Manager by the State of Texas. The Purchasing Officer must complete all required training offered by Texas Comptroller of Public Accounts' Statewide Procurement Division (CPA-SPD) to obtain and maintain certification.

The agency's Purchasing Officer is responsible for ensuring that purchases comply with state laws and are performed in the most efficient and effective manner. The Purchasing Officer is also responsible for following policies on increasing the usage of eligible disabled veteran businesses in procurement. See Administrative Memorandum 2012 - Policy on Veteran Heroes United in Business Program.

Purchasing Card

Under the authority of the CPA-SPD's State of Texas Commercial Charge Card Program, the Department of Banking (Department) has issued credit cards in its name to the agency's Purchasing Officer and designated employees at Headquarters and each of the Regional Offices. The purpose of these cards is to enable authorized personnel to purchase goods and services for business related purposes in the most efficient and cost-effective manner. The cards are not intended to circumvent the purchasing requirements of state law or CPA-SPD rules.

The following policies and procedures govern the use of the agency's purchasing cards:

- As the primary Commercial Charge Card Program administrator for the agency, the Assistant Chief Financial Officer (ACFO) manages and ensures proper use of issued purchasing cards. Cards are encoded to limit purchases at $200 per single transaction for regional office cardholders with a monthly limit of $1,000. Headquarters cardholder limits are:

[1] *AM 2025 was previously issued on January 6, 2022. The policy has been revised to comply with the emergency rule change to 34 Texas Administrative Code Section 20.281. The policy will be reviewed upon expiration of the emergency rule.*

- $5,000 per single transaction with a monthly limit of $8,500 for the agency's Purchaser.
- $3,000 per single transaction with a monthly limit of $5,000 for the agency's Inventory and Store Specialist.
- $3,000 per single transaction with a monthly limit of $8,500 for the agency's CFO and ACFO.

These limits are reviewed periodically and may be adjusted as business needs dictate.

The cards are encoded based on a CPA's template to prevent their use for non-business purchases. In addition, the Department restricted usage of certain merchant category codes through the Commercial Charge Card vendor.

Contracting/Purchasing

All purchases by the agency, including those under the authority of the Commercial Charge Card Program, are performed by, or subject to review and audit by, the agency's CFO, and comply with the State Purchasing and General Services Act, Chapters 2151-2176 of the Government Code, and applicable CPA-SPD rules in 34 Texas Administrative Code (TAC) Chapter 20.

Contracting/Purchasing Procedures

The agency follows the applicable requirements of state law for its purchasing and contracting activities

The following procedures are generally followed to acquire goods/commodities and services.

- The employee requesting a commodity or service completes a Material and Services Request (MSR) reflecting the employee's division code. The MSR should contain specifications for the commodity or service requested, including quality requirements, service provider qualifications, and applicable timeline or deadlines. In addition, purchase related information such as pictures, specifications, estimated cost, possible source of supply, etc. should be provided.

- The requesting party obtains the necessary approvals on the MSR before forwarding it to the Purchasing Officer. All purchases exceeding $500 must have the approval of the Executive Deputy Commissioner. Requests for computer-related products and services must also be approved by the agency's Chief Information Officer. Membership dues require a memorandum and must be approved by the Commissioner or his/her designee(s).

- The purchasing party forwards by email the completed and approved MSR to the Purchasing Officer for execution.

- Based on the type and estimated cost of the good or service requested as well as purchasing authority, the Purchasing Officer develops specifications with the assistance of the requesting party and solicits informal or formal bids or proposals from applicable vendors.

- The Purchasing Officer issues a purchase order to the awarded vendor. A copy of the purchase order is forwarded to the Accounting Section of the Administrative Services Division and the

Receiving Agent. A purchase order contains, at a minimum, where applicable:

- Invoice address
- Destination address
- Vendor address
- Vendor identification number
- Purchasing category code
- Commodity class and item number
- Quantity
- Unit of measure
- Description
- Unit cost
- Extended price
- Total cost

Shipping terms

- Delivery date
- Terms of the sale
- Signature of the purchasing agent
- Telephone number of the purchasing officer
- Date the purchase order was issued
- Accounting information
- All terms and conditions
- Evidence of franchise tax certification of good standing

- If goods are purchased, the Receiving Agent must inspect the goods upon receipt for compliance with the specifications. Should any goods be received in damaged, poor, or unusable condition, the Receiving Agent must notify the Purchasing Officer. The Purchasing Officer arranges for the return of the damaged goods and receipt of a replacement or refund in a timely manner.

- If the goods are accepted, the Receiving Agent generates a receiving report, which is filed with each purchase order and a copy is provided to the Accounting Section.

- The receiving report contains at a minimum, where applicable:
  - the name of the vendor,
  - the date the goods were received,
  - a serial number and inventory number for controlled items,
  - a brief description,
  - signature of the receiving agent, and
  - additional information as needed.

Federal Database Checks

The agency shall follow all procedures as established by the CPA-SPD to ensure federal database checks are performed. The Purchasing Officer must check the System for Award Management (SAM) database to verify that the vendor is not excluded from contract participation at the federal level. In addition, a contract cannot be awarded to a vendor named on the U.S. Treasury Department, Office of Foreign Assets Control's (OFAC) master list of Specially Designated Nationals & Blocked Persons (with limited exceptions set forth in Executive Order 13224).

Vendor Protest and Disputes

Contract dispute rules adopted by the Finance Commission of Texas are detailed in 7 TAC Chapter 10. Subchapter A governs the negotiation and mediation of a claim of breach of contract asserted by a contractor against the agency. Subchapter B: Contract Protests governs protests of the solicitation, evaluation, or award of a contract by the agency.

General Purchasing Practices

Purchases of $500 or less for routine goods and supplies or routine maintenance for the Finance Commission building will be left to the discretion of the ACFO and the Purchasing Officer. Approval signature from the Executive Deputy Commissioner will not be required on the MSR. Examples of such purchases/services include, but are not limited to, minor plumbing or electrical repairs and purchase of paper, toner, or general building maintenance supplies.

Subscriptions

A Deputy Commissioner, Division/Regional Director, or Chief shall be aware of any subscriptions their division or office is receiving. A list should be maintained that notes each subscription's expiration date. The following procedures should be followed yearly:

- The Deputy Commissioner/Director or designee should create a MSR form six (6) weeks prior to the expiration of the subscription so there is no interruption in service.

For the creation of the purchase order, the MSR should be submitted to the Purchasing Officer to confirm that it is a publication only available from its publisher and not available through a statewide contract or competitive bidding.

- The Purchasing Officer will submit the purchase order to the Accounting Section for payment.

Employee Reimbursements

Employees may make emergency business related purchases. The following procedures apply for non-travel related employee reimbursement requests. See the agency's travel policy for incidental travel related reimbursements.

- Incidental travel related purchases may not exceed $25.00 without the prior approval from the Deputy Commissioner or Division/Regional Director. Approvals may be obtained via email.

- The employee must contact the Purchasing Officer for a purchase order number, or if after business hours, at the first opportunity on the next business day.

- The employee must also contact the Purchasing Officer to obtain a completed tax exemption form to prevent sales tax from being charged (taxes will not be reimbursed). A blank tax exemption form is located on DOBIE.

- The employee may make the purchase with the tax exemption form and document the business need of the purchase, the assigned purchase order number, and the amount of the purchase. The documentation and payment receipt or credit card statement should be forwarded to the Purchasing Officer if no additional approvals are required.

- The Purchasing Officer will forward the documentation, payment receipt or credit card statement, and a copy of the purchase order to invoices@dob.texas.gov for payment processing. Hard copies can be delivered to the Accounting Section.

Training Related Services

The agency must have a training announcement attached to all training related billings. See Section 3 of the Personnel and Policies Manual or the agency's Training Coordinator for details.

APPENDIX C: Risk Assessment Matrix

#	Risk Factor	Risk Level – LOW Score 0 to 3	Risk Level - MEDIUM Score > 3 to 8	Risk Level – HIGH Score > 8 to 10	Justification/Comments	Risk Level Score
Preset Risk Factors						
1	Type of Contract Purchase	Interagency, MOU or Inter-local	Contract Less than 25K	Consulting, Emergency, Sole Source, Proprietary, or Construction > $25K		
2	Payment Type/ Structure	Fixed price or contingency	Rate or Fee for Services	Cost Reimbursement		
3	Total Dollar Amount for FY	Less than $100K	$100K to $1 million	Over $1 million		
4	Essential Agency Function	Contract services are not critical for meeting DOB's mission	Contract services are moderately essential to DOB's mission	Contract services are essential to DOB's mission		
5	Stability & Experience of Contractor Key Management Staff	No recent change and significant experience	No recent change, but not significant experience; or recent change but significant experience	Recent change and not significant experience		
6	Percentage of Services Performed by Subcontractors	No Subcontractor involvement	Subcontractors account for 50% or less of contract work performed	Subcontractors account for more than 50% of contract work		
7	Compliance History	No issues of non-compliance	Moderate instances of non-compliance/ no history - never contracted with DOB before	Substantial finding of non-compliance		
8	Past Programmatic Performance	Met or exceeded all output and outcome measures	Met 75% or more of output and outcome measures	Met less than 75% of output and outcome measures		

#	Risk Factor	Risk Level – LOW Score 0 to 3	Risk Level - MEDIUM Score > 3 to 8	Risk Level – HIGH Score > 8 to 10	Justification/Comments	Risk Level Score
Risk Factors - Financial						
9	Audit Outcomes	No audit required or no issues or finding in audit(s)	Moderate issues or findings in audit(s)	Substantial issues or findings in audit(s)		
10	Number of years in business	More than 5 years	1 year to 5 years	Less than 1 year		
Risk Factors - Contract						
11	Performance Measures	Contract contains multiple defined and measurable performance measures	Contract contains at least one clearly defined or measurable performance	No performance measures included in contract		
12	Deliverables	Contract contains multiple deliverables that are clearly defined	Contract contains at least one clearly defined deliverable	No deliverables included in contract		
13	> $1 million - Financial Reports required	> $1 million - substantial financial reports required	> $1 million - minimal financial reports required	> $1 million - no financial reports required		

Overall Risk Score	
Low Risk Procurement	0-39
Medium Risk Procurement	40-104
High Risk Procurement	105-130

Summary of Risk Assessment:
Additional Risks:
Risk Mitigation Plan: