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***Correspondence Memorandum***

**Date:** August 26, 2019  
**To:** Audit Committee Members  
**From:** Yikchau Sze, Director  
Office of Internal Audit (OIA)  
**Subject:** Contract Administration Consulting Review

**This memo is for Audit Committee review and discussion. No action is required.**

In responding to a management request and as part of the Biennial Audit Plan 2017-2019, OIA completed a consulting review of the ETF contract administration function in May 2019.

We observed that the contract administration function appears to be maturing, but some industry best practices could be considered to further improve the effectiveness of the function.

OIA staff will be at the meeting to present the results of our overview. The Director of Budget, Contract Administration and Procurement will be at the meeting to discuss management actions in responding to our recommendations.

Attachment: Contract Administration Consulting Review Presentation

Board	Mtg Date	Item #
AUD	9.19.19	4B

# Contract Administration Consulting Review

Mona Yee, Auditor  
Office of Internal Audit



# Contract Administration

Contract administration begins after contract is awarded and concludes when the contract closeout is complete

The purpose of contract administration is to ensure that the vendor's and ETF's performance adequately complies with the terms and conditions of the contract and that ETF has received the products and services it contracted for in a timely manner, on budget and to the satisfaction of all stakeholders

# Objective

The Consulting Review objective is to evaluate BCAP contract administration for

- Performance Monitoring
- Oversight
- Collaboration with Program Managers

Propose process improvements when applicable

# Scope

Review focuses on  
Chapter 40 and  
Chapter 16  
contracts in effect  
during calendar  
year 2018

- There were 68 contracts included in the BCAP Contract Ledger\*
- Used the *National Association of State Procurement Officials (NASPO) Contract Administration Best Practices Guide*\*\* as the reference framework for our consulting review

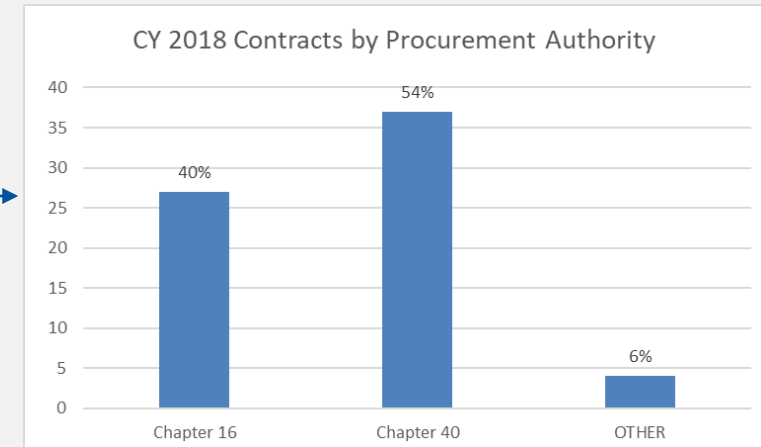
\* The Vitech contract was out of scope for this review

\*\* See Appendix for more information on NASPO Best Practices

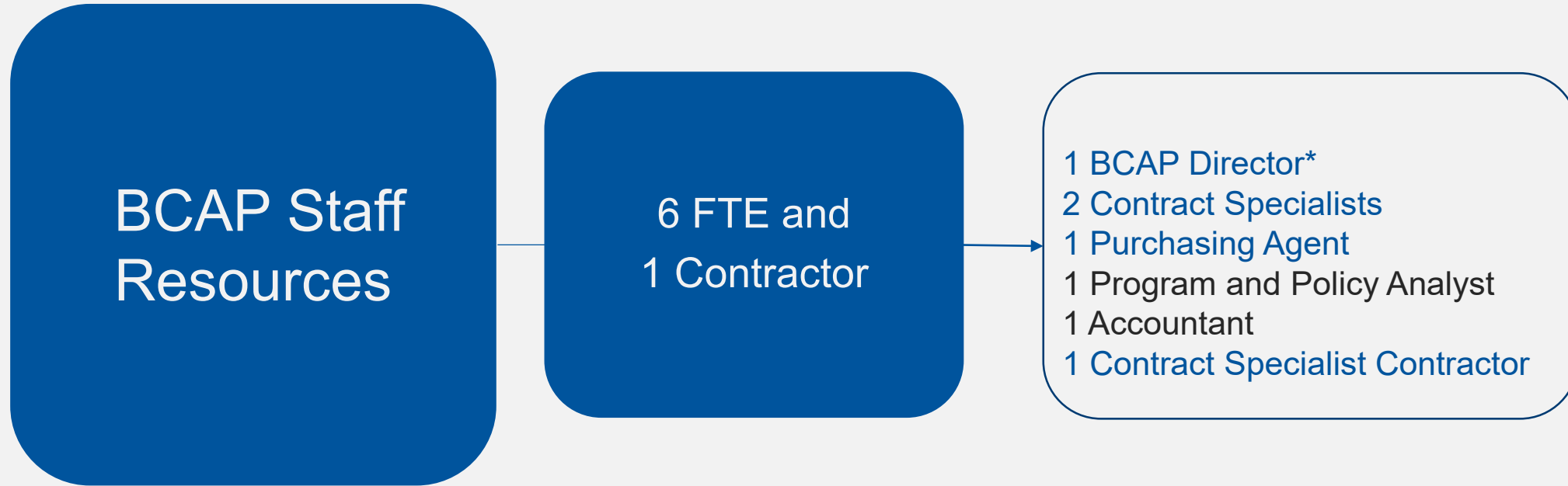
# Calendar Year 2018 Contracts

BCAP tracked 68 contracts in the BCAP Contract Ledger that were in effect during calendar year 2018

Reliable dollar value of contracts was not readily available



# Resources



New BCAP Director starting in May 2019; Incumbent BCAP Director in position since May 2017.

\* Resources listed in blue perform BCAP contract administration duties

# ETF Business Areas

Contract  
administration  
is a collaborative  
effort

ETF business areas involved:

- DMS-BCAP
- Program Managers
- Office of Legal Services (OLS)
- Office of Policy, Privacy and Compliance (OPPC)
- DMS – Bureau of Information Security Management (BISM)




Positive results




BCAP Improvements – 4 Areas

Agency-wide Improvements – 3 Areas

# Positive Results

-  BCAP contract administration efforts appear to be trending in a positive direction
-  BCAP recently developed contract administration procedures and guidelines documentation that incorporated many industry best practices
-  BCAP maintains a BCAP Contract Ledger to track active contracts, and maintains key contract documentation in a restricted folder and in a shared email box, in an organized manner

# Positive Results

-  As ETF's contract administration program matures, there appears to be improved collaboration between BCAP, Program Managers and OLS (example: development of RACI Matrix\*)
-  Observed several Program Managers have written procedures and tracking tools to help them perform contract administration duties
-  Contracts include penalties as leverage to enforce events of noncompliance

\* See Appendix for more information on RACI Matrix

# 1) BCAP Improvements – Performance Monitoring and Oversight

## Contract Administration Plan (CAP)

- ✓ BCAP guidelines require BCAP Contract Specialist to lead the development of a formal written CAP with the program area, as needed
  - No established criteria on when a CAP is required
  - No CAP template

# 1) BCAP Improvements

## Recommendation

*BCAP should develop a CAP template to use as a systematic assessment tool for **all** contracts to ensure critical contract risks and deliverables are consistently identified, assigned and monitored.*

*CAP template should:*

- *Require BCAP Director to review and approve CAP for all contracts*
- *Include scope of work that specifies contract goals and deliverables*
- *Identify potential contractual risks and assignment of risk levels*
- *Develop clearly defined team, and roles and responsibilities of team members*
- *Define a regular meeting schedule to review contract status and update CAP*
- *Identify how contract modifications will be codified, approved and implemented*
- *Monitor spending levels*
- *Develop process for resolution of claims and disputes*

## 2) BCAP Improvements

### Performance Monitoring and Oversight

#### BCAP Contract Ledger

- ✓ Maintained as an excel worksheet that BCAP Contract Specialists populate with contract information
- BCAP procedures do not include criteria to:
  - *Define what contracts to include in the ledger*
  - *Identify values to use for tracking estimated annual spend*
  - *Track contract amendments*
- BCAP Director does not perform a formal review of ledger information
- No formal training for BCAP Contract Specialists

## 2) BCAP Improvements

### Recommendation

*BCAP should revise the BCAP Contract Ledger to track consistent and meaningful contract values, and the status of contracts and contract amendments, for better management reporting.*

### 3) BCAP Improvements

#### Performance Monitoring and Oversight

#### Monitoring and Oversight Tools

- ✓ BCAP procedures and guidelines reference several monitoring tools, such as vendor scorecards, corrective action plans, lessons learned meetings and closeout procedures
- No defined criteria for when monitoring tools are required
- BCAP not consistently using these monitoring tools and others, such as RACI Matrix which is being used for OSHP contracts only



### 3) BCAP Improvements

#### Recommendation

*BCAP should continue to evolve the contract administration process by:*

- *Consistently identifying when administration tools identified in BCAP procedures should be used,*
- *Promoting the tools for agency-wide use, and*
- *Utilizing identified tools.*

## 4) BCAP Improvements

### Training

### Training

- ✓ BCAP Contract Specialists and Program Managers have varying levels of contract administration experience and knowledge
- BCAP Contract Specialists and Program Managers are not provided consistent contract administration training
- BCAP Contract Specialists have varying levels of program-related background and knowledge
- Relevant external training may be challenging to find

## 4) BCAP Improvements

### Recommendation

1. *BCAP should provide:*
  - *Program knowledge training to BCAP Contract Specialists, and*
  - *Contract Administration training to Program Managers, as needed.*
2. *BCAP should continue to pursue external training opportunities for BCAP Contract Specialists to further enhance their contract administration knowledge.*

# 1) Agency-wide Improvements

## Collaborating with Program Managers and OLS

### Signing Contracts and Contract Amendments

- ✓ All 15 contracts and 11 contract amendments we reviewed were signed by authorized signers
- Identified 3 out of 15, or 20%, of original contracts reviewed were signed 24-60 days after the contract effective date
- Several contract amendments were signed 1-6 days after the contract effective date

# 1) Agency-wide Improvements

## Recommendation

*ETF should develop and implement a policy that requires contracts to be signed before the contract effective date.*

## 2) Agency-wide Improvements

### Partnering with Program Managers and OLS

#### Criteria for Contract Amendments

- ✓ Letters and emails are sometimes used to codify contract changes, for example:
  - Income Continuation Insurance Program's annual administrative fee adjustments
  - IBM Watson contract change requests
- No written criteria for when a contract amendment is required to codify contract changes

## 2) Agency-wide Improvements

### Recommendation

*BCAP and OLS should work together to develop criteria on when contract amendments should be written to codify contract changes.*

### 3) Agency-wide Improvements

#### Collaborating with Program Managers and OLS

#### Closeout and Transition Framework

- ✓ BCAP procedures include a section regarding the contract closeout process
- BCAP procedures do not include a standard, consistent closeout or transition framework for contracts
- BCAP led an effort to develop common Department Terms and Conditions (DTC) language for contracts, but no similar effort to develop a closeout framework



### 3) Agency-wide Improvements

#### Recommendation

*BCAP, Program Managers and OLS should work together to develop a contract closeout and transition framework that can be referenced as needed.*



Questions?

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# Thank you

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