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| P1800: VENDOR MANAGEMENT POLICY |
| Document Number:  | P1800 |
| Effective Date: | DRAFT |
| RevISION: | 1.0 |

# AUTHORITY

To effectuate the mission and purposes of the Arizona Department of Administration (ADOA), the Agency shall establish a coordinated plan and program for information technology (IT) implemented and maintained through policies, standards and procedures (PSPs) as authorized by Arizona Revised Statutes (A.R.S.)§ 41-3504.

# PURPOSE

The purpose of this policy is to provide a framework to Budget Units to effectively manage IT vendor contracts to assure the best possible outcome for the State.

# SCOPE

## This policy applies to all contracts with third-party providers that:

### Have a critical impact on the success of strategic projects and services;

### Have an expected duration of twelve or more months;

### Carry significant risk to the BU or its stakeholders;

### Play a vital role in operations;

### May be difficult to change in the short term;

### Require continuous monitoring;

### Have complex dispute and problem-solving mechanisms; or

### Access or manage substantial critical or sensitive data.

# EXCEPTIONS

## Policies may be expanded or exceptions may be taken by following the Statewide Policy Exception Procedure.

### Existing IT Products and Services - BU subject matter experts (SMEs) should inquire with the vendor and the state or agency procurement office to ascertain if the contract provides for additional products or services to attain compliance with policies prior to submitting a request for an exception in accordance with the Statewide Policy Exception Procedure.

### Procurement of new IT Products and Services Procurement - Prior to selecting and procuring information technology products and services BU SMEs shall consider IT Policies when specifying, scoping and evaluating solutions to meet current and planned requirements.

# ROLES AND RESPONSIBILITIES

## State Chief Information Officer (CIO) shall be ultimately responsible for the correct and thorough completion of Statewide IT PSPs.

## Business Process Owner(s) shall:

### Be responsible for the development of requirements;

### Support vendor selection and contract negotiation;

### Ensure that the vendor agreement is conducted per the contract; and

### Ensure that the contract termination and transition is performed effectively and efficiently.

## State Procurement Officer(s) shall:

### Manage the procurement process per State of Arizona statute, rules, policies and standards;

### Manage vendor selection and contract negotiation;

### Manage negotiation of changes to the contract; and

### Manage the contract termination process.

## BU Vendor Manager shall:

### Ensure that stakeholder requirements are complete and accurate as documented;

### Ensure that the vendor responses to the tender address all requirements;

### Support vendor selection and contract negotiation;

### Establish service level agreement (SLA) standards and monitor performance against these;

### Communicate the status of the contract to stakeholders timely;

### Ensure that key risks are identified and monitored;

### Ensure that problems, issues, disputes and other matters are resolved timely; and

### Manage the termination and transition process.

# STATEWIDE POLICY

## The BU shall develop policies, standards and procedures for all business processes supported by third-party vendor agreements.

### PSPs shall support and supplement State Procurement Office (SPO), security and privacy, project management and other IT policies, standards, procedures and guidelines.

### Contracts shall reference all applicable PSPs and vendors shall be required to comply with each referenced PSP.

## The BU shall appoint and provide operational support for a Vendor Management Council (VMC) or similar body that substantially assumes the responsibilities designated herein. The VMC shall include Vendor Managers (VM) and technical and business stakeholders. If the BU has a Program Management function then Program Managers shall be represented on the VMC.

### Standard Documents and Templates – The VMC shall develop and publish standard Vendor Management documents and templates;

### The VMC shall monitor key performance metrics, performance to SLAs, and commit resources to addressing key issues, problems, disputes or recommended changes;

### The VMC shall develop, document and implement a process to calculate and assess penalties or rewards based on the contract terms and the vendor’s performance against SLAs.

### The VMC shall participate in drafting RFPs to ensure that they accurately reflect BU vendor management principles, standards and expectations;

### The VMC shall designate a Vendor Manager (VM) for each engagement to manage vendor activities and performance and report to the VMC.

## The Business Process Owner, the VM and the VMC shall identify, document and communicate all stakeholder requirements to be incorporated into Statements of Work and Requests for Proposal.

### RFPs shall include all documented requirements, expectations, SLAs and work products to be produced by the vendor. Measurable deliverables and service levels consistent with leading practices shall be preferred.

### Specific procedures for adjusting the vendor deliverables to accommodate new or modified requirements shall be included in the RFP.

### All identified stakeholders shall be invited to participate in the development and approval of requirements prior to the tender. Requirement changes shall be documented and communicated to all stakeholders.

### Stakeholder requirements shall include key performance indicators and minimum service levels.

### Emergency and disaster recovery requirements shall be included as appropriate.

### Risk management and compliance requirements shall be included in all RFPs and contracts as appropriate.

### If appropriate, requirements may include third-party verification of service providers’ controls and capabilities.

## The Vendor Manager (VM) assigned by the VMC shall provide the following functions.

### The VM shall communicate program status to stakeholders consisting of vendor key performance indicators and performance to SLAs.

### The VM shall calculate penalties or rewards to be assessed on the vendor based on the vendor’s performance against SLAs.

### The VM shall measure stakeholder satisfaction in vendor performance at least annually, report the results to the VMC and implement remediation as appropriate.

### The VM, together with the VMC, shall develop, document and implement a vendor communication plan featuring appropriate points of contact, backup and escalation of routine matters, issues and problems between the vendor and the relevant BU stakeholders. The Communication Plan shall ensure that the VM is copied on all communications between the vendor and the stakeholders.

### The VM shall develop, document and implement a problem, issue and dispute resolution procedure. This procedure shall include escalation and emergency procedures.

### The VM shall develop, document and implement a change management procedure. This procedure shall provide for the approval, communication, timing, testing and implementation of changes, shall include the Change Approval Board and shall include communication with the VMC.

### The VM shall develop and annually update a program risk assessment. Based on the results, the VM shall develop, document and implement a risk management program designed to mitigate the most critical areas of risk. The VM shall implement continuous monitoring and report the results to the steering committee timely.

### The VM shall develop, document and implement a compliance management procedure. This procedure shall include processes to verify that the vendor complies with all policies, standards and procedures, statutes and other appropriate industry standards. These processes may include access to third-party audits if appropriate.

### The VM shall engage with the VMC, SPO, the Business Process Owner, stakeholders and the vendor to develop, document and implement a termination and transition plan.

### The VM shall develop, document and implement an asset disposal plan including hardware, software and data that complies with all security, privacy, public records retention and data governance policies.

# DEFINITIONS AND ABBREVIATIONS

## Refer to the PSP Glossary of Terms located on the ADOA-ASET website.

# REFERENCES

## Vendor Management Processes using CobiT 5, ISACA

# ATTACHMENTS

## None

# Revision History

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| Date | Change | Revision | Signature |
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