

AUDIT REPORT

TO: Eric Walls, Senior Director, Supply Chain Management
FROM: Angela D'Anna, Chief Audit Executive, Internal Audit and Consulting Services *AD*
DATE: August 30, 2016
SUBJECT: Contract Administration Review (16-11)

EXECUTIVE SUMMARY

Internal Audit and Consulting Services has reviewed Contract Administration at The University of Texas Health Science Center at San Antonio (Health Science Center) for the period September 1, 2015 through July 31, 2016. This audit did not include a review of Facilities Management contracts. A review of Facilities Management contracts is included in the fiscal year 2017 Internal Audit Plan. The primary objectives of the audit were to evaluate whether vendor contracts were solicited, evaluated and approved in accordance with institutional guidelines and whether contracting practices at the institution were in compliance with Senate Bill 20, which reformed state contracting.

Based on our review of Contract Administration, institutional policies and procedures were in compliance with Senate Bill 20 and were adhered to in the procurement process. This audit identified no reportable issues. Attached is the detailed report.

DETAILED AUDIT REPORT

Internal Audit and Consulting Services has reviewed Contract Administration at The University of Texas Health Science Center at San Antonio (Health Science Center).

PURPOSE AND SCOPE

The primary objectives of the audit were to:

- Evaluate whether vendor contracts were solicited, evaluated and approved in accordance with institutional guidelines.
- Determine whether contracting policies and procedures at the institution were in compliance with Senate Bill 20.

The scope of the review was for the period of September 1, 2015 through July 31, 2016. Facilities Management contracts were excluded from this audit as those contracts will be reviewed in fiscal year 2017. We selected 20 contracts to determine whether quotes and proposals were obtained as required based on dollar value thresholds. We also reviewed the evaluation documentation for competitively bid contracts to determine whether the highest ranked vendors were awarded the contracts and whether contracts were approved by authorized individuals at the Health Science Center.

BACKGROUND

Texas State agencies must abide by the Texas Government Code (Title 10, Subchapter D and Chapter 2254) regarding the procurement of goods and services. The Texas Education Code states that an institution of higher learning (IHE) may acquire goods and services by the method that provides the best value to the institution. This exempts IHEs from the contracting requirements of the Texas Government Code, except for the provisions related to contracting with historically underutilized businesses and the procurement of goods and services from persons with disabilities.

Senate Bill 20 was passed by the 84th Texas Legislature and became effective on September 1, 2015. This bill reformed state contracting practices to ensure that procurement of goods and services is conducted in a transparent, accountable and competitive manner. The bill amended and added to various sections of the Texas Government Code and directed the Texas Comptroller of Public Accounts to conduct a study to examine the feasibility and practicality of consolidating state purchasing functions into fewer state agencies or onto one state agency. This study is in progress and is required to be published prior to the 2017 legislative session.

The bill also amended the Texas Education Code to state that IHEs may not exercise procurement authority under this Code unless they comply with the following regulations:

- A code of ethics for the institution's officers and employees, including provisions governing officers and employees authorized to execute contracts or to exercise discretion in awarding contracts.
- Policies related to internal investigations, standards of conduct, conflicts of interest, conflicts of commitment and outside activities.
- A contract management handbook that provides consistent contracting policies and practices, including a risk analysis procedure.
- Contracting delegation of authority guidelines.
- Training for officers and employees authorized to execute contracts or to exercise discretion in awarding contracts, including training in ethics, selection of appropriate procurement methods, and information resources purchasing technologies.
- Establish contract review procedures and a contract review checklist.

IHEs that do not make good faith efforts to comply with the requirements of Senate Bill 20 may not be able to purchase under the Texas Education Code provisions and would become subject to more stringent regulations under the Texas Government Code.

RESULTS

Based on our review of Contract Administration, we concluded that the Health Science Center's procurement guidelines were followed regarding the solicitation and evaluation of competitive bids as well as the awarding of contracts. Additionally, contracts were approved by authorized individuals in accordance with the delegation of authority at the Health Science Center. Furthermore, contracting processes and institutional policies were in compliance with Senate Bill 20 requirements. It should be noted that the development of an institutional Contract Management Handbook was completed and is awaiting approval by the UT System Office of General Counsel. This audit identified no reportable issues.

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This audit was performed by Robert McDermott, Senior Internal Auditor, with assistance of other members of the Internal Audit and Consulting Services Department. This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* as promulgated by the Institute of Internal Auditors.

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