



Departmental Controls

Procurement and Payment Services

August 2023

Office of Internal Audits
UT Austin's Agents of Change



Executive Summary

Departmental Controls Procurement and Payment Services Project Number: 23.012

Audit Objective

The objective of the audit was to evaluate College, School, and Unit (CSUs) facilities work requests and approval processes for effective controls and compliance with University policies.

Conclusion

Overall, CSUs are compliant with facilities work requests and approval processes; however, there are opportunities for Procurement and Payment Services to enhance the administration of Blanket Purchase Orders as well as purchase and payment exceptions.

Audit Observations¹

Recommendation	Risk Level	Estimated Implementation Date
Blanket Purchase Orders	Medium	December 2023
Purchase Order and Payment Exceptions	Medium	December 2023

Engagement Team

Mr. Conner Gilbert, Audit Operations Coordinator
Ms. Autumn Gray, Assistant Director, CIA
Ms. Suzi Nelson, Senior Auditor, CPA, CIA, CISA
Ms. Kalie Rhodes, Auditor I

¹ Each observation has been ranked according to The University of Texas System Administration (UT System) Audit Risk Ranking guidelines. Please see the last page of the report for ranking definitions.



Detailed Audit Results

Departments have implemented controls, including approvals and segregation of duties, for the facilities work requests, purchase orders, and subsequent payments. Additionally, the University is adhering to the State's Prompt Payment Act. The following observations are related to opportunities for Procurement and Payment Services (PPS) to enhance the administration of Blanket Purchase Orders as well as purchase and payment exceptions.

Observation #1 Blanket Purchase Orders

Two CSUs used Blanket Purchase Orders (BPO) for maintenance agreements. University policy prohibits the use of BPOs for this purpose; however, PPS had advised the CSUs to use them for this purpose in error. Recreational Sports maintained one BPO for ongoing maintenance of hardwood floors in fiscal year 2022 with an annual value of \$76,630; Marine Science Institute (MSI) had four maintenance related BPOs in fiscal year 2023 (through February 6, 2023) with total value of \$7,000. We did not determine whether other CSUs used BPOs for maintenance purposes during the scope period.

BPOs allow for recurring purchases of a specific service or commodity when the quantity or frequency of delivery cannot be fully determined at the time the purchase order is initiated. Maintenance agreements should not be on blanket purchase orders because the quantity and frequency of delivery must be defined at the inception of those agreements.

Recommendation: Procurement and Payment Services should review all BPOs to determine whether they should route through a different solicitation process.

Management's Corrective Action Plan: Procurement and Payment Services shall coordinate with CSUs to ensure the proper use of Blanket Purchase Orders in accordance with policy and procedures. The Procurement Office shall require CSUs to document the estimated monthly recurring cost to ensure the proper procurement process is followed, and shall review all BPOs with a value greater than \$15,000.

Particular attention shall be given to the use of BPOs for maintenance agreements and equipment leases as part of new training that will be developed.

Responsible Person: Assistant Vice President, Procurement and Payment Services

Planned Implementation Date: December 31, 2023

Observation #2 Purchase Order and Payment Exceptions

The University does not have a consistent exception process for emergency maintenance procurements, and PPS primarily manages exception requests via email. University policy requires exception requests prior to vendor payments if a procurement does not follow established guidelines; however, policy does not specifically address exceptions related to emergency repairs.



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In FY22, both McDonald Observatory and MSI experienced emergencies that required prompt maintenance to protect University assets. UT Austin policy requires purchase orders be issued for maintenance; however, McDonald Observatory used a ProCard, and MSI used a Service Voucher (VP2). MSI requested an exception prior to payment of the invoice. Since current policy does not provide guidance for emergency repairs, the departments used the procurement methods necessary at the time.

According to PPS, the exception approval process occurs on a case-by-case basis. CSUs typically submit exception requests to PPS for review and approval after the fact, and PPS often needs additional information from departments to support the request. Further, the review and manual tracking of exceptions is time consuming and does not provide the ability to determine whether an exception is necessary or whether departments need training. Without a comprehensive monitoring process, PPS cannot ensure compliance with related policies or determine whether alternative processes are warranted to meet CSU emergency business needs.

Recommendation: PPS should review and update policy and procedures to provide stronger guidance for the exception process especially as it relates to emergency maintenance. The updated process should be communicated to campus to facilitate consistency of implementation. Furthermore, PPS should systematically track exceptions and work with CSUs to hold them accountable to policy and provide education as needed.

Management’s Corrective Action Plan: Procurement and Payment Services shall review and update the relevant sections of the policy and procedures to provide clear guidance to campus with regards to the exception process. All changes shall be communicated to campus to facilitate adoption and compliance with the policy and procedures.

Responsible Person: Assistant Vice President, Procurement and Payment Services

Planned Implementation Date: December 31, 2023

Conclusion

Overall, CSUs are compliant with facilities work requests and approval processes; however, there are opportunities for PPS to enhance the administration of Blanket Purchase Orders and as well as purchase and payment exceptions.

Table: Controls Assessment

Audit Objective	Controls Assessment
Evaluate CSUs facilities work request and approval processes for effective controls and compliance with University policies.	Effective with medium risk opportunities



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A sample of facilities work requests and approval activities were selected for testing as a part of this audit. Below is a summary of activities for each sampled unit.

Table: Department Audit Results

Reviewed Area	Marine Science Institute	McDonald Observatory	Recreational Sports
Segregation of Duties	Y	Y	Y
Purchase Order Compliance with Policy	Y	Y	Y
Payment Compliance with Policy	Y	Y	Y
Exception Requests	Y*	Y*	N/A
Accurate Recording of Expenditure	Y	Y	Y

Individual results were communicated to each unit.

Key

Y – Compliant, no observations or improvement opportunities identified

Y*- Compliant with opportunities

N/A – Not Applicable

Scope, Objectives, and Methodology

This audit was conducted in conformance with The Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing. Additionally, we conducted the audit in accordance with Generally Accepted Government Auditing Standards and meet the independence requirements for internal auditors. Those 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 on our audit objectives.

The scope of the engagement includes small purchase order transactions under \$15,000 that occurred during FY22 and FY23 (through February 6, 2023) within the following units:

- Marine Science Institute, College of Natural Sciences
- McDonald Observatory, College of Natural Sciences
- Recreational Sports, Division of Student Affairs

Specific audit objectives and the methodology to achieve the objectives are outlined in the table below.



Table: Objectives and Methodology

Audit Objective	Methodology
Evaluate CSUs facilities work request and approval processes for effective controls and compliance with University policies.	<ul style="list-style-type: none">• Examined University policies and procedures for purchase orders and related payments.• Reviewed the State’s Prompt Payment Act.• Interviewed departmental staff regarding facilities work request procedures.• Selected a judgmental sample of transactions for each CSU.• Tested for control effectiveness and compliance with policies.• Interviewed PPS staff regarding the administration of BPOs and the purchase order and payment exceptions.

Criteria

Handbook of Business Procedures, Part 7, Purchasing

- 7.2.D, *Authority to Obligate* (excerpt): Invoices for purchases made without using an authorized purchasing method require justification and approval by the primary procurement officer prior to payment.
- 7.7.5.B, *Blanket Purchase Orders Guidelines* (excerpt): Equipment leases and maintenance agreements should not be on blanket purchase orders because the quantity and frequency of delivery must be defined at the inception of those agreements.
- 7.7.7, *Purchases That Do Not Require a Purchase Order*
- 7.8.4.B.1, *Disallowable Purchase List* (excerpt): Repair of University Property that doesn’t fall under the scope of work performed by facility services.

Texas Government Code, Chapter 2251, Prompt Payment Act



Report Submission

We appreciate the courtesies and cooperation extended throughout the audit.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Sandy Jansen".

Sandy Jansen, CIA, CCSA, CRMA, Chief Audit Executive

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