

Deferred Maintenance

*Project Management and Construction
Services*



October 2019

**The University of Texas at Austin
Office of Internal Audits
UTA 2.302
(512) 471-7117**

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This report has been distributed to Institutional Audit Committee members, the Legislative Budget Board, the State Auditor's Office, the Sunset Advisory Commission, the Governor's Office of Budget and Planning, and The University of Texas System Audit Office for distribution to the Audit, Compliance, and Management Review Committee of the Board of Regents.

**Deferred Maintenance
Project Number: 18.009**



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October 17, 2019

President Gregory L. Fenves
The University of Texas at Austin
Office of the President
P.O. Box T
Austin, Texas 78713

Dear President Fenves,

We have completed our audit of Deferred Maintenance. The scope included current operational activities regarding deferred maintenance.

We concluded that Planning and Project Services' deferred maintenance program is working effectively and is funded in a way that works within The University of Texas at Austin's budget constraints while making steady and controlled progress addressing deferred maintenance. The additional funding that has been allocated to deferred maintenance for fiscal years 2019, 2020, and 2021 is indicative of executive leadership's commitment to this priority.

We appreciate the cooperation and assistance of Campus Planning and Project Management staff throughout the audit and hope that the information presented herein is beneficial.

Sincerely,

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

Sandy Jansen, CIA, CCSA, CRMA
Chief Audit Executive

cc: Institutional Audit Committee Members
Mr. Darrell Bazzell, Senior Vice President and Chief Financial Officer
Ms. Tara Doolittle, Chief of Staff, Financial and Administrative Services
Mr. Darren Hale, Interim Associate Vice President, Campus Planning and Project Management
Mr. Carlos Martinez, Chief of Staff, Office of the President
Ms. Amy Reyna, Assistant to Sr. Vice President and CFO
Ms. Ana Thiemer, Associate Director – Planning, Project Management and Construction Services



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EXECUTIVE SUMMARY

Conclusion

Planning and Project Services' deferred maintenance (DM) program is working effectively and is funded in a way that works within The University of Texas at Austin's (UT Austin) budget constraints while making steady and controlled progress addressing DM. The additional funding that has been allocated to DM for fiscal years 2019, 2020, and 2021 is indicative of executive leadership's commitment to this priority.

Summary of Recommendations

Internal Audits did not identify any notable issues during the course of this audit.

Audit Scope and Objective

The scope of this review included current operational activities for DM. The specific audit objective was to perform an operational assessment of UT Austin DM.

Background Summary

DM is defined as systems that have failed or are likely to fail in the current budget cycle. DM, also known as Capital Replacement and Renewal at UT Austin, is a program managed by Planning and Project Services. The funding allocated for DM is not for regular or routine maintenance, but is for:

- Projects between \$5,000 - \$10 million
- Only educational and general space
- Only systems necessary for building operation
- Renewal of or additional life to a system
- Renewal of infrastructure

Currently, UT Austin has over \$1.4 billion in DM.



BACKGROUND

Deferred Maintenance (DM) is defined as systems that have failed or are likely to fail in the current budget cycle and is known as Capital Replacement and Renewal at The University of Texas at Austin (UT Austin). This program is managed by Planning and Project Services (PPS) within the Capital Planning and Construction portfolio. The funding allocated for DM is not for regular or routine maintenance, but is for:

- Projects between \$5,000 - \$10 million
- Only educational and general space
- Only systems necessary for building operation
- Renewal of or additional life to a system
- Renewal of infrastructure

PPS contracts with a third-party firm for facility condition assessments on one-fifth of campus structures annually. The data from the assessments and other data collected by PPS throughout the year are used by a committee that ranks every DM project using the following nine criteria and weights:

Area	Criteria	Weight
Impact on Health, Safety & Environment	Impact on People	30.46
	Impact on Environment	7.61
Mission (Risk) Impact	Intellectual Property Damage	7.61
	Property Damage	5.09
	Time Disruption	6.09
	Area Impact	10.15
	Public Image	5.08
System Impact	Return on Investment	20.30
	Probability of Failure	7.61
Total		100.00

Once the ranking is complete, projects are determined by the funding that is allocated to DM.

At the beginning of this audit the DM budget for the year had been cut from \$22 million per year to \$16 million per year. Building assessments were not completed for FY18 so that all \$16 million could be used on DM projects. When additional funds were allocated for FY19, building assessments resumed.

Currently, UT Austin has over \$1.4 billion in DM.



SCOPE, OBJECTIVES, AND PROCEDURES

The scope of this review includes current operational activities for DM. The specific audit objective is to perform an operational assessment of UT Austin DM.

To achieve these objectives, Internal Audits:

- Conducted interviews with relevant staff
- Shadowed the third party contracted to perform building assessments
- Reviewed presentations, committee meeting minutes, and financial data

AUDIT RESULTS

During the course of our audit, PPS worked to secure additional funding to support DM. In August of 2018 they successfully secured an additional \$75 million over the next three years. Beginning September 2018, funding for FY19, FY20, and FY21 will be \$41 million each year which executive leadership has deemed adequate for UT Austin.

Per PPS, an estimated budget of \$70 to \$100 million would be needed to eliminate DM on a campus the size and age of UT Austin. However, the number of construction personnel needed and number of people who would be displaced for that much work to be performed makes this infeasible.

CONCLUSION

Planning and Project Services' DM program is working effectively and is funded in a way that works within UT Austin's budget constraints while making steady and controlled progress addressing DM. The additional funding that has been allocated to DM for fiscal years 2019, 2020, and 2021 is indicative of executive leadership's commitment to this priority.