



OFFICE OF INTERNAL AUDITS
THE UNIVERSITY OF TEXAS AT AUSTIN

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August 20, 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 Vendor Contracts. Our scope included executed vendor contracts, not including purchase orders or revenue generating contracts, from September 1, 2015, to April 30, 2017.

We concluded that UT Austin contract approvals and expenditures were appropriate and complied with policies. Contracts were generally in compliance with policies and procedures; however, there are opportunities to ensure appropriate UT Austin staff are trained and to improve transparency reporting. Our audit report provides detailed observations and suggestions for improvement in the existing control structure.

We appreciate the cooperation and assistance of the Business Contracts Office 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
Mr. Jim Davis, Vice President for Legal Affairs
Ms. Tara Doolittle, Chief of Staff, Financial and Administrative Services
Mr. Carlos Martinez, Chief of Staff, Office of the President
Mr. William O'Hara, Chair, Institutional Audit Committee
Ms. Amy Reyna, Assistant to the Senior Vice President and CFO



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EXECUTIVE SUMMARY

Conclusion

UT Austin contract approvals and expenditures were appropriate and complied with policies. Contracts were generally in compliance with policies and procedures; however, there are opportunities to ensure appropriate UT Austin staff are aware of their responsibilities and to improve transparency reporting.

Summary of Recommendations¹

Internal Audits identified two notable issues leading to the following recommendations:

- Colleges, schools, and units (CSU) should designate specific individuals with contract and oversight responsibilities for all contracts initiated within the CSU;
- Appropriate UT Austin staff should be trained in the contract process; and
- All contracts should be posted on the university's website according to requirements and other guidance.

Management agrees with our observations and has provided corrective action plans that are expected to be implemented on or before January 31, 2019.

Audit Scope and Objective

The scope of this audit included executed vendor contracts, excluding purchase orders or revenue generating contracts, from September 1, 2015, to April 30, 2017. Audit objectives were to determine whether vendor contracts comply with applicable policies, guidelines, and laws; and whether expenditures for contracts are appropriate, properly calculated, and recorded.

Background Summary

The Business Contracts Office (BCO) reviewed, approved, and executed approximately 8,750 business contracts for UT Austin during FY18. The BCO employs five people and reports through the portfolio of the Senior Vice President and Chief Financial Officer. Select UT Austin employees have been granted signature authority to execute contracts, with specific limitations, on behalf of their departments and UT Austin.

Regardless of who executes the contract, departmental staff within colleges, schools, and units are responsible for all aspects of contract administration/management such as initiating contracts, fulfilling bidding and relevant procurement requirements, presenting a fully executed agreement to the BCO, verifying that the contractor or vendor complies with all terms and conditions of the agreement, and paying timely.

¹ Each issue has been ranked according to The University of Texas System Administration (UT System) Audit Issue Ranking guidelines. Please see the Appendix for ranking definitions.



BACKGROUND

The Business Contracts Office (BCO) reviewed, approved, and executed approximately 8,750 business contracts for The University of Texas at Austin (UT Austin) during FY18. The BCO employs five people and reports through the portfolio of the Senior Vice President and Chief Financial Officer. Select UT Austin employees have been granted signature authority to execute contracts, with specific limitations, on behalf of their departments and UT Austin.

Regardless of who executes the contract, departmental staff within colleges, schools, and units (CSU) are responsible for all aspects of contract administration/management. Department responsibilities include, but are not limited to, initiating contracts, fulfilling bidding and relevant procurement requirements, presenting a fully executed agreement to the BCO, verifying that the contractor or vendor complies with all terms and conditions of the agreement, and paying timely.

In February 2017, an outside consultant completed an assessment of UT Austin's BCO. Project objectives were: 1) assessing and identifying the options for structuring and improving the BCO functions to meet the university's contract management needs; and 2) evaluating current business contracting strategies, policies and processes, utilized technologies, organizational structure, and roles and responsibilities. Results stated that BCO has a strong understanding of the business contracting function and how to navigate requirements. Additionally, standard agreements have been well received and have improved the cycle time of the contracting process. The assessment noted that the BCO is unable to provide actionable contract management reporting to departments, has no visibility into available contracts, and no central repository that is accessible to end-users. The assessment also stated that UT Austin stakeholders are confused about the contracting process between the BCO, Purchasing Office, and Office of the Vice President for Legal Affairs, and there is a lack of campus training. In addition, it stated there is no single overarching flow that defines the contract process.

SCOPE, OBJECTIVES, AND PROCEDURES

The scope of this audit included executed vendor contracts, excluding purchase orders or revenue generating contracts, from September 1, 2015, to April 30, 2017. Specific audit objectives were to:

- Determine whether vendor contracts comply with applicable policies, guidelines, and laws; and
- Determine whether expenditures for contracts are appropriate, properly calculated, and recorded.

