



# Auxiliary Revenue Contracts

Internal Audit Report No. R2117  
August 26, 2021



## Executive Summary

**Audit Objective:** To determine if the terms of revenue-producing contracts are being satisfied, and to determine if controls exist to ensure that the contracts are being monitored for compliance.

**Conclusion:** Based on the results of the audit work performed, Auxiliary Services, in conjunction with the Central Business Office, has effective revenue recognition/monitoring controls in place; however, opportunities exist to enhance the formal processes and procedures to monitor the auxiliary revenue contract nonfinancial terms and conditions.

**Observations by Risk Level:** Management has reviewed the observation and has provided a response and an anticipated implementation date.

Observation	Risk Level	Management's Implementation Date
1. Enhance Formal Processes and Procedures for the Nonfinancial Terms of Auxiliary Revenue Contracts	<b>Medium</b>	December 17, 2021

*For details, engagement methodology, and explanation of risk levels, please see the attached report.*



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**Observation #1: *Enhance Formal Processes and Procedures for the Nonfinancial Terms of Auxiliary Revenue Contracts***

**Medium Risk:**

Unclear procedures can result in non-compliance with contract terms, inefficiencies in processes, additional costs, and increased risks to the University's reputation.

Currently, there are no University policies explicitly stating the departmental unit roles and responsibilities for contracts or how they should be evaluating vendors contracts effectively and consistently during the performance period.<sup>1</sup> This is in part due to unclear University policy guidance regarding departmental unit level contractual roles and responsibilities and limited internal resources caused by the COVID-19 pandemic.

Auxiliary Services (AS) monitors the nonfinancial terms of contracts that generate revenue for the university through informal day-to-day operational monitoring processes and procedures and reports non-compliance to the Office of Contracts Administration (OCA) and other UTD stakeholders via email.

In testing for compliance with the nonfinancial terms of the contract, we noted opportunities to enhance monitoring controls. The following ideas were discussed and suggested by management:

- Better utilization of the [Contract Management Handbook](#).
- Formal periodic check-ins or committee meetings between OCA, AS, and other stakeholders.
- Adoption of an eProcurement workflow to route vendor documentation to subject matter experts on campus who can effectively ensure vendor compliance and create an improved audit trail.

**Recommendation:** OCA and AS should enhance formal processes and procedures for the nonfinancial terms of auxiliary revenue contracts.

**Management's Action Plan:** The Office of Contracts Administration is working to implement solutions including those mentioned above, with immediate focus on:

- a. Enhancement of the OCA Contracts Repository to automatically generate email reminders for periodic stakeholder check-ins and to ensure departments have requested and been furnished timely documents, including (as required) current Certificates of Insurance, and Personnel lists / evidence of background checks;
- b. Addition of EH&S to eProcurement workflow for review of vendor Certificates of Insurance;
- c. Periodic department review and update of Contract Management Plans, particularly for contracts identified as high-value/high-risk; and

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<sup>1</sup> [UTDBP3101 - Contract Administration](#), [UTDBP3057 - Purchasing](#)



- d. Auxiliary Services will coordinate and schedule meetings with the Office of Contracts Administration on a semester basis to review contract deliverables and operational expectations for all high-value/high-risk contracts within our departments.

**Person Responsible for Implementation:** Bryce Brownlee, Director, Contracts Administration;  
Bob Fishbein, Associate Vice President for Auxiliary Services

**Estimated Date of Implementation:** 12/17/2021

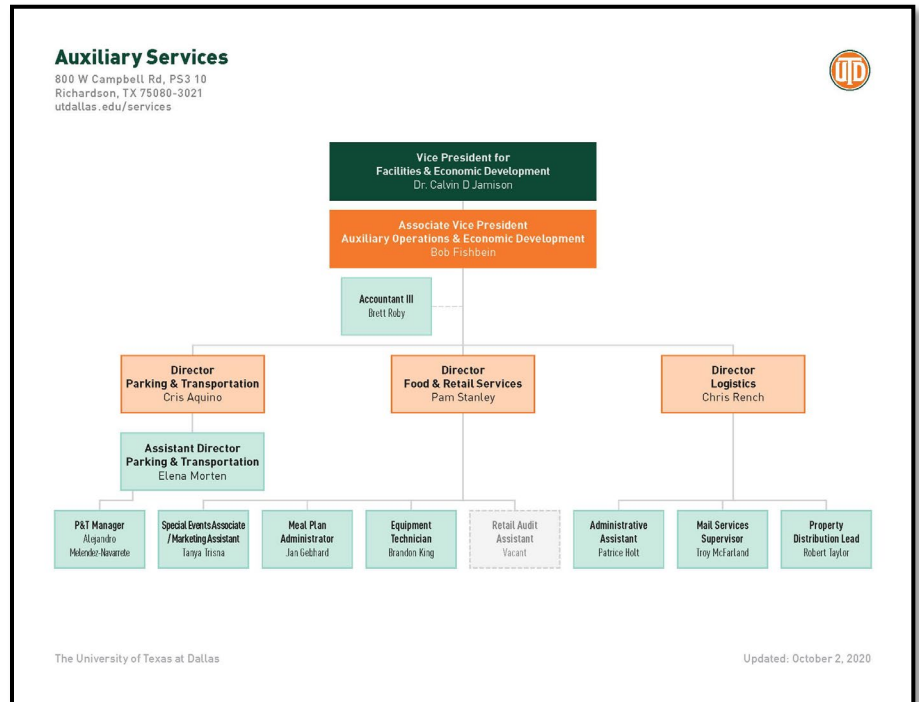


## Appendix A: Methodology

### Background

As depicted in the organizational chart, Auxiliary Services reports to the Vice President for Facilities and Economic Development with operational oversight by the Associate Vice President for Auxiliary Operations and Economic Development.

The Auxiliary Revenue Contracts nonfinancial terms monitoring roles and responsibilities fall onto the Auxiliary Services department with vendor non-compliance escalation administrative support being provided from the Office of Contracts Administration and Purchasing within the Office of Budget and Finance.



In FY20 to-date, Auxiliary Services has faced operational and financial challenges due to the global pandemic, COVID-19, that significantly shut down operations. This led to a decrease in revenues (see below) while providing assurance that the most mission critical auxiliary services (such as dining) are delivered to students, faculty, and staff. During the scope of this engagement, a Higher Education Emergency Relief Fund (HEERF) Audit was conducted by Audit and Consulting Services. In this audit, auxiliary services payments were reviewed for accuracy and compliance adherence to the CARES Act stipulations.

	FY19	FY20	FY21 (As of July 2021)
<b>Central University Revenue<sup>2</sup></b>	<b>\$2,253,500</b>	<b>\$1,892,432</b>	<b>\$94,186</b>
Food Service	\$1,209,579	\$1,062,566	N/A
Technology Store	\$46,877	\$39,621	\$25,398
UTD Bookstore	\$546,858	\$413,365	\$26,440
Vending	\$450,186	\$376,879	\$42,348

<sup>2</sup> PeopleSoft Revenue Trend Report



## Controls and Strengths

Our audit work indicated the following controls currently exist:

- Generally, the cross-functional nature of the auxiliary revenue recognition and monitoring process involving monthly communication and revenue monitoring between Auxiliary Services and the Central Business Office is efficient and effective.
- The Associate Vice President of Auxiliary Services and Director of Auxiliary Services are extremely knowledgeable in the complexities and nature of the auxiliary revenue contracts and effectively exercise their day-to-day operational oversight.

## Scope and Procedures

The scope of this audit was FY20-21, and our fieldwork concluded on June 11, 2021. To satisfy our objectives, we performed the following:

- Interviewed key departmental stakeholders.
- Evaluated the revenue recognition and monitoring process and reviewed selected contracts general terms and conditions for contract compliance monitoring.

We conducted our examination in conformance with the Texas Internal Auditing Act and in conformance with the guidelines set forth in The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*. The *Standards* are statements of core requirements for the professional practice of internal auditing.

## Follow-up Procedures

Though management is responsible for implementing the course of action outlined in the response, we will follow up on the status of implementation subsequent to the anticipated implementation dates. Requests for extension to the implementation dates may require approval from the UT Dallas Audit Committee. This process will help enhance accountability and ensure that timely action is taken to address the observations.

## Thank You

We appreciate the courtesies and considerations extended to us from the Auxiliary Services department, Office of Contracts Administration, and the Central Business Office during our engagement. Please let me know if you have any questions or comments regarding this audit.

A handwritten signature in blue ink that reads 'Toni Stephens'.

Toni Stephens, CPA, CIA, CRMA  
Chief Audit Executive



## Appendix B: Report Distribution

<p style="text-align: center; color: #4F81BD;">Members of the UT Dallas Institutional Audit Committee</p> <p><i>External Members</i></p> <ul style="list-style-type: none"> <li>• Ms. Lisa Choate, Chair</li> <li>• Mr. Gurshaman Baweja</li> <li>• Mr. John Cullins</li> <li>• Mr. Bill Keffler</li> <li>• Ms. Julie Knecht</li> </ul> <p><i>UT Dallas Members</i></p> <ul style="list-style-type: none"> <li>• Dr. Richard Benson, President</li> <li>• Dr. Rafael Martin, Vice President and Chief of Staff</li> <li>• Dr. Kyle Edgington, Vice President for Development and Alumni Relations</li> <li>• Mr. Frank Feagans, Vice President and Chief Information Officer</li> <li>• Dr. Gene Fitch, Vice President for Student Affairs</li> <li>• Dr. Calvin Jamison, Vice President for Facilities and Economic Development</li> <li>• Dr. Inga Musselman, Provost and Vice President for Academic Affairs</li> <li>• Ms. Sanaz Okhovat, Chief Compliance Officer</li> <li>• Dr. Joseph Pancrazio, Vice President for Research</li> <li>• Mr. Terry Pankratz, Vice President for Budget and Finance</li> <li>• Mr. Timothy Shaw, University Attorney, ex-officio</li> </ul>	<p style="text-align: center; color: #4F81BD;">UT Dallas Responsible Parties</p> <p><i>Responsible Vice Presidents (VP)</i></p> <ul style="list-style-type: none"> <li>• Mr. Terry Pankratz (Contract Administration)</li> <li>• Dr. Calvin Jamison, Vice President for Facilities and Economic Development (Auxiliary Services)</li> </ul> <p><i>Persons Responsible for Implementing Recommendations</i></p> <ul style="list-style-type: none"> <li>• Bob Fishbein, Associate Vice President Auxiliary Services</li> <li>• Bryce Brownlee, Director of Contracts Administration</li> </ul> <p><i>Other Relevant Persons</i></p> <ul style="list-style-type: none"> <li>• Bob Fishbein, Associate Vice President Auxiliary Services</li> <li>• Pam Stanley, Director of Food and Retail Services</li> </ul> <p style="text-align: center; color: #4F81BD;">External Agencies</p> <p><i>The University of Texas System</i></p> <ul style="list-style-type: none"> <li>• System Audit Office</li> </ul> <p><i>State of Texas Agencies<sup>3</sup></i></p> <ul style="list-style-type: none"> <li>• Legislative Budget Board</li> <li>• Governor’s Office</li> <li>• State Auditor’s Office</li> </ul>
<p style="color: #4F81BD;"><b>Engagement Team</b></p> <p>Project Leader: Jesson Gil, Internal Auditor II</p> <p>Staff: Caitlin Cummins, Internal Auditor II</p>	

<sup>3</sup> Per Texas Internal Auditing Act Requirements



## Appendix C: Definition of Risks

Risk Level	Definition
<b>Priority</b>	High probability of occurrence that would significantly impact UT System and/or UT Dallas. Reported to UT System Audit, Compliance, and Risk Management Committee (ACRMC).  Priority findings reported to the ACRMC are defined as <i>“an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.”</i>
<b>High</b>	Risks are considered to be substantially undesirable and pose a moderate to significant level of exposure to UT Dallas operations. Without appropriate controls, the risk will happen on a consistent basis.
<b>Medium</b>	The risks are considered to be undesirable and could moderately expose UT Dallas. Without appropriate controls, the risk will occur some of the time.
<b>Low</b>	Low probability of various risk factors occurring. Even with no controls, the exposure to UT Dallas will be minimal.