

AUDIT REPORT

Texas Education Code §51.9337(h) –
Annual Reporting Requirement On Procurement Policies

November 2024

Executive Summary – Texas Education Code §51.9337(h) – Annual Reporting On Procurement Policies

Observations	Report Rating
1	Low

The Office of Audit and Consulting Services completed the Texas Education Code (TEC) §51.9337 Annual Reporting Requirement on Procurement Policies audit. The objective of the audit was to determine whether The University of Texas at Arlington (UTA) adopted the necessary procurement policies and procedures needed to comply with the Code’s required rules and policies. **Overall, our review disclosed UTA adopted the policies and procedures outlined in Senate Bill 20 and TEC §51.9337, Purchasing Authority Conditional, Required Standards. As required, the Chief Audit Executive’s certification was included in the Internal Audit Annual Report to the State Auditor’s Office as outlined in Texas Government Code §2102.** The scope of the audit included testing the hyperlinks within UTA Procurement policies. Our audit identified several policies contained non-functioning hyperlinks.

OBSERVATIONS	RECOMMENDATIONS	RATING	PAGE
1. Policies Should Be Reviewed Regularly For Inactive Hyperlinks	We recommend Procurement and Compliance process owners review their purchasing-related policies annually to help ensure hyperlinks remain active.	Low	3

Background

The scope of the audit included a review of required procurement policies and procedures. As part of the review, the hyperlinks embedded in the procedures were tested to help ensure they were functioning as intended.

Non-Functioning Hyperlinks Were Identified

Although procurement policies were in place, our review disclosed that 3 of 16 documents (or 19 percent) included inactive hyperlinks. This includes the following documents:

- The Best Value Purchasing Procedure (BF-PGS-PR-01) and Purchaser Training and Certification Plan are sponsored by Procurement Services. We identified non-functioning hyperlinks in the Best Value Purchasing Procedure in the previous audit. Although this document was updated this year, 7 of 44 hyperlinks (or 15.9 percent) remain inactive. The Purchaser Training and Certification Plan included two links, both of which were non-functioning.
- The Management Leadership Tool is sponsored by University Compliance Services. This document includes numerous hyperlinks, and a random sample of 40 links were tested; however, 19 hyperlinks (or 47.5 percent) were inactive.

Policies were not updated or reviewed on a regular basis, which may result in non-functioning hyperlinks. Inactive hyperlinks make the referenced information more difficult and time-consuming to find.

Recommendation:

We recommend Procurement and Compliance process owners review their purchasing-related policies annually to help ensure hyperlinks remain active.

Management Response:

Procurement will add a calendar reminder to do this annually, in addition to correcting the links currently identified. Once these links are corrected or eliminated if a “link” isn’t truly needed, a revised Best Value Purchasing Procedure will be resubmitted for upload and publishing. Procurement will notify the Office of Audit and Consulting Services once this has been completed.

The Management Leadership Tool is not a policy. Its function was to serve as a quick reference guide that was given to new leadership during new employee orientation. University Compliance Services has supplied updated information to the Office of Talent, Culture, and Engagement (TCE) to be used in new employee orientation. In summary, this tool will be taken offline.

Target Implementation Date: Completed

Responsible Party: Director, Procurement and Strategic Sourcing, and Chief Compliance Officer, University Compliance Services

Background, Audit Objective, Scope And Methodology

Background

Senate Bill 20 of the 84th Legislative Sessions (SB 20) modified existing requirements and created new requirements related to purchasing and contracting for state agencies and institutions of higher education. These requirements were incorporated into the Texas Government Code and/or Texas Education Code effective September 1, 2015, and were not changed during the subsequent 85th, 86th, 87th, and 88th Legislative sessions. TEC §51.9337 states, “The chief auditor of an institution of higher education shall annually assess whether the institution has adopted the rules and policies required by this section and shall submit a report of findings to the state auditor.”

Audit Objective

The audit objective was to help ensure UTA was operating in accordance with TEC §51.9337. TEC §51.9337 requires state agencies and institutions of higher education to have the following:

- A contract management handbook with consistent guidance on contract review procedures and risk analysis procedures.
- Delegation of contracting authority.
- Training for purchasing and contracting staff.
- Code of ethics; standards of conduct; and policies on conflicts of interest, conflicts of commitment, and outside activities, as well as the use of institutional resources and training.
- Fraud investigation policies and internal audit risk assessment processes.

Audit Scope And Methodology

Our audit scope included a review of documents; current policies and procedures; and system reports, as related to purchases during fiscal year 2024. Policies and procedures reviewed included those relating to codes of ethics; standards of conduct; conflicts of interest and outside commitments; fraud policies; contract management; delegation; and training. The audit scope included gathering information from key personnel in Procurement and Compliance.

Audit methodology included interviewing key personnel, reviewing processes, performing analytical procedures and testing of supporting documentation.

The audit was conducted in conformance with the *Global Internal Audit Standards* published by The Institute of Internal Auditors. Additionally, we conducted the audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS). Both standards are required by the Texas Internal Auditing Act, and they 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 based on our audit objectives. The Office of Audit and Consulting Services is independent in both standards for internal auditors.

We appreciate the outstanding courtesy and cooperation received from Procurement Services and University Compliance Services during this audit.

Rating Criteria – Texas Education Code §51.9337(h) – Annual Reporting Requirement On Procurement Policies

Rating Criteria

All findings in this report are rated based on an assessment of applicable qualitative, operational control and quantitative risk factors, as well as the probability of a negative outcome occurring if the risk is not adequately mitigated. The criteria for these ratings are as follows:

Priority	An issue identified by an internal audit that, if not addressed on a timely basis, could directly impact achievement of a strategic or important operational objective of UTA or the UT System as a whole.
High	A finding identified by an internal audit that is considered to have a medium to high probability of adverse effects to UTA either as a whole or to a significant college/school/unit level.
Medium	A finding identified by an internal audit that is considered to have a low to medium probability of adverse effects to UTA either as a whole or to a college/school/unit level.
Low	A finding identified by an internal audit that is considered to have minimal probability of adverse effects to UTA either as a whole or to a college/school/unit level.

None of the findings from this review are deemed as a “Priority” finding.

Report Rating

The 2024 *Global Internal Audit Standards* require that audits include an overall report rating. This is determined by assigning a value to each report finding and calculating an average of the assigned values of all findings. The report rating is assigned based on where this average falls within the report rating range in the table below.

RATING	ASSIGNED VALUE	REPORT RATING RANGE
Priority	4	3.5 – 4
High	3	2.5 – 3.49
Medium	2	1.5 – 2.49
Low	1	1 – 1.49

Please note we maintain discretion to modify the report rating based on our judgment.

Distribution – Texas Education Code §51.9337(h) – Annual Reporting Requirement On Procurement Policies

To: Jennifer Cowley *President, UTA*
Helen Dickey *Audit Committee Chairman/Partner, Harris & Dickey LLC*

Audit Committee:

Salma Adem *Vice President for Planning and Chief of Staff, UTA*
Shelby Boseman *University Attorney and Chief Legal Officer, UTA*
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Andrew Milson *FY 2024 Faculty Senate Chair (Professor, History), UTA*
Julie Pence *External Member / Vice President of Audit Services, Vizient*
Jewel Washington *Vice President for Talent, Culture and Engagement, UTA*

From: David Price *Chief Audit Executive, UTA*



cc: Tanya Lowery *Chief Compliance Officer, UTA*
Joseph White *Director of Procurement & Strategic Sourcing, UTA*

Auditor in Charge:

Swapna Reddy *Auditor, UTA*