

The University of Texas at San Antonio

UTSA Auditing & Consulting Services

Real Estate and Property Management – Facilities Purchasing Process Audit

Project # 2024-21
July 9, 2024

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Executive Summary

Conclusion

Real Estate and Property Management (RPM) - Facilities have enhanced purchasing and inventory processes to address control gaps identified by KPMG. However, Department Financial Reviews were not completed timely, and the automation of the three-way match requirement before payment of all RPM - Facilities purchases is under development.

Observation Rating

Priority
High
Medium
Low
Satisfactory

Background

In November 2022, Business Affairs engaged KPMG to review the purchasing and inventory processes of UTSA Facilities, a division of Real Estate and Property Management (RPM - Facilities). KPMG issued observations for university-wide consideration and specific observations for RPM – Facilities:

- University-wide: UTSA addressed observations on receiving report requirements and inventory reconciliations before issuing this report. The actions taken to address the university-wide observations were not within the scope of this audit.
- RPM – Facilities: Observations on the RPM - Facilities inventory system and the periodic review of vendor reports had not been addressed before the audit commenced; therefore, were not within the scope of this audit. Observations on RPM – Facilities purchasing and inventory processes were addressed and were the focus of this audit. UTSA created three new Standard Operating Procedures (SOP) to address the observations:
 1. SOP #41 Purchasing of Non-Stock Materials and Supplies,
 2. SOP #42 Purchasing of Stores Stock Inventory, and
 3. SOP #43 Purchasing of Contract Services.

Additionally, the financial team, previously under RPM - Facilities, moved to the Business Affairs Business Service Center (BA BSC) on September 1, 2023, to ensure oversight of financial responsibilities.

Audit Objectives and Scope

- Ensure that RPM - Facilities addressed the purchasing and inventory process control gaps identified by KPMG by validating the performance of procedures outlined in the Standard Operating Procedures for September – December 2023.

Observations, ratings, and planned implementation dates:

1	Department Financial Reviews were not performed timely.	July 30, 2024
2	An automated process to require a three-way match prior to payment of all RPM - Facilities purchases is under development.	December 31, 2024

Audit Observations

1. Real Estate and Property Management - Facilities Department Financial Reviews were not performed timely.

High

Observation	Impact	Management Action Plan
<p><u>Condition</u> Department Financial Reviews were not performed timely for the 15 RPM - Facilities Cost Centers and Project IDs from September - December 2023.</p> <p><u>Criteria</u> UTSA Financial Guidelines – Department Financial Reviews states that Cost Center and Project ID reconciliations and reviews should be complete by the end of the month following the month being reconciled. The reconciliations and reviews should be approved six weeks after the end of the month.</p> <p>The RPM – Facilities Standard Operating Procedures state that the Department Financial Reviews are the responsibility of the Business Affairs Business Service Centers.</p> <p><u>Cause</u> The Facilities financial team, which was previously under RPM – Facilities, moved under the Business Affairs Business Service Center (BA BSC) on September 1, 2023. At that time, the BA BSC began a review and restructure of responsibilities and processes and hired additional staff. The new structure and functional area assignments delayed the timeliness of the financial reviews.</p>	<p>Not performing timely monthly reconciliations and reviews of financial activity could increase the risk of fraud for an extended period. Additionally, inaccurate monthly balances are possible, increasing the risk of overspending due to a lack of awareness of possible account deficits.</p>	<p>The Business Affairs Business Service Center (BA BSC) Senior Director is working with the BA BSC Manager and BA BSC Reports Manager to review all appropriate access for the Facilities Cost Centers and ensure current and future reviews will be completed timely.</p> <p>The Business Affairs Business Service Center has completed the majority of the RPM - Facilities Department Financial Reviews for the 1st Quarter (September – November 2023) and the 2nd Quarter (December 2023 – February 2024). All Department Financial Reviews will be completed and brought into compliance by July 30, 2024. The BA BSC Senior Director will implement a process to review the status of financial reviews on a timely basis and escalate appropriately.</p> <p>Responsible Party: Andrea Chavez, Business Affairs Business Service Center Manager Chera Finkbiner, Senior Director of Business Operations, Business Affairs Business Service Center</p> <p>Planned Implementation Date: July 30, 2024</p>

Audit Observations

2. An automated process requiring a three-way match before payment of all Real Estate and Property Management - Facilities purchases is under development.

Medium

Observation	Impact	Management Action Plan
<p><u>Condition</u> An automated process to require a three-way match before payment of all RPM - Facilities purchases does not exist and is under development.</p> <p><u>Criteria</u> RPM – Facilities Leadership has determined that all RPM – Facilities purchases, regardless of dollar value, will require a three-way match before payment. The three-way match is between the purchase order, invoice, and receiving the report.</p> <p><u>Cause</u> UTSA’s Accounting System does not require a three-way match for purchases under \$5,000.</p>	<p>Insufficient receiving and invoice controls could increase the risk of theft, unknown liabilities, and fraud.</p>	<p>UTSA’s Supply Chain leadership met with the Business Affairs Business Service Center and Business Information Systems to discuss developing an automated payment process that requires a three-way match between the purchase order, invoice, and receiving report for RPM – Facilities purchases under \$5,000. A request has been made to UT System Shared Information Systems to modify the Accounting System configurations. Modifications can take several months to complete.</p> <p>In the interim, RPM - Facilities has adopted a manual process of adding receiving reports to the Accounting System for all purchases. The Accounting System will continue to allow payment of purchases less than \$5,000 without the receiving report until UTSA Business Information Services (BIS) can work out the solution with UT System Shared Information Services (SIS) to resolve the configuration of the requested modification.</p> <p>Responsible Party: Marcos Garcia, Assistant Vice President, Supply Chain</p> <p>Planned Implementation Date: December 31, 2024</p>



We conducted this performance audit in accordance with generally accepted government auditing standards. 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 based on our audit objectives.

Auditors communicated other, less significant issues separately in writing to university management.