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THE UNIVERSITY OF TEXAS
PERMIAN BASIN

**CONTRACT MANAGEMENT
AUDIT**

Fiscal Year 2025

October 22, 2025

*Office of Internal Audit and Advisory Services
4901 E. University Boulevard
Odessa, Texas 79762*

Contract Management Audit Fiscal Year 2025

SUMMARY



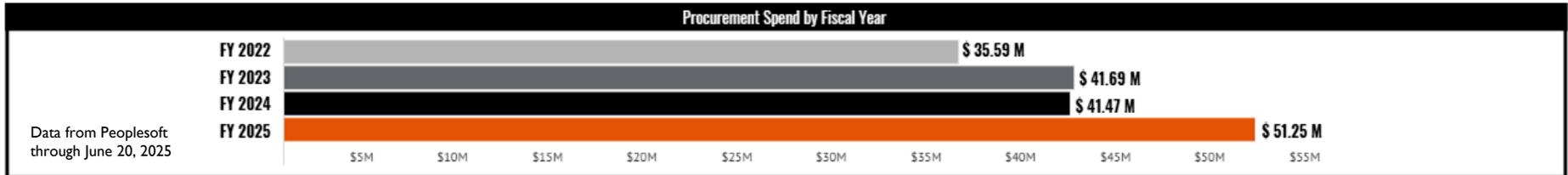
BACKGROUND AND OBJECTIVE

In accordance with The University of Texas (UT) System Regent Rule 20901: Procurement of Goods and Services; Contract Management Handbook, Section 4, each institution is required to develop and maintain a Contract Management Handbook that provides consistent contracting policies and procedures, including a risk analysis procedure. The Handbook should be designed to provide guidance and best practices for contract managers, purchasing personnel, and administrators in managing contracts related to the procurement of goods and services.

The objective of the audit was to determine whether controls for solicitation, award, monitoring, and termination of UTPB contracts are effective in ensuring compliance with applicable policies and state procurement law. As outlined in the chart below, UTPB’s procurement spend for the preceding four fiscal years totaled \$170 million.

CONCLUSION

While UTPB has a Contract Management Handbook, maintains evidence of HUB compliance, and has certified purchasing personnel, opportunities exist to enhance compliance with fulfilling external reporting requirements, improve contract spend tracking, and enhance compliance with the Contract Management Handbook.



OBSERVATIONS

1 High	Procurement spend is not reported accurately to fulfill external reporting requirements.
2 High	A process to reliably track and monitor total spend on contracts is not in place.
3 High	Processes are not aligned with the Contract Management Handbook.

Management developed action plans that incorporated Internal Audit recommendations to address these observations and anticipates implementation by December 1, 2025.



Handbook

UTPB has developed a Contract Management Handbook aligned with UT System Guidance.



HUB Compliance

HUB participation or waiver documentation was consistently maintained across contracts.



Proposal Submission

Each solicitation reviewed included a clearly defined section specifying the required information respondents were expected to submit with their proposals.



Certified Personnel

Purchasing personnel with contract management responsibilities are certified.





High

Observation I: Contract spend is not reported accurately to fulfill external reporting requirements.

UTPB is subject to multiple external reporting obligations related to contract spending. The review identified the following opportunities to improve compliance with applicable requirements:

- **Legislative Budget Board Reporting Non-Compliance** - Approximately \$9.8 million in procurement spend was not reported to the LBB as required. According to the Legislative Budget Board (LBB)¹, state agencies must report all contracts exceeding fifty thousand dollars to the LBB within 30 days.
- **Incomplete Transparency Reporting** - Approximately \$3 million in procurement spend was not included in the required transparency reports posted on the institutional website. The Texas Government Code Chapter 2261 State Contracting Standards and Oversight, Section 2261.253 requires state agencies to post specific contract-related information on their institutional websites.

The discrepancy in reporting was due to various contributing factors, such as:

- Various departments processed expenditures without a purchase order, to expedite transaction processing, circumventing the typical purchasing process and bypassing the Purchasing department.
- The purchasing staff responsible for reporting data did not consistently submit contract data from the system-generated reports.

Ongoing non-compliance may result in loss of delegated purchasing authority, delays in contract execution or payment, and increased public scrutiny.

Action Plan: Monitoring procedures will be established within the Purchasing department to verify data accuracy prior to submission to the Legislative Budget Board (LBB) and posting to transparency reporting platforms. This will allow for timely resolution of any discrepancies.

Target Implementation Date: November 1, 2025

Responsible Party: Director Purchasing in coordination with the Accounts Payable Supervisor

¹ https://www.lbb.texas.gov/Documents/Instructions/Contracts/8400_Contract_Reporting_Requirements_2024-25.pdf

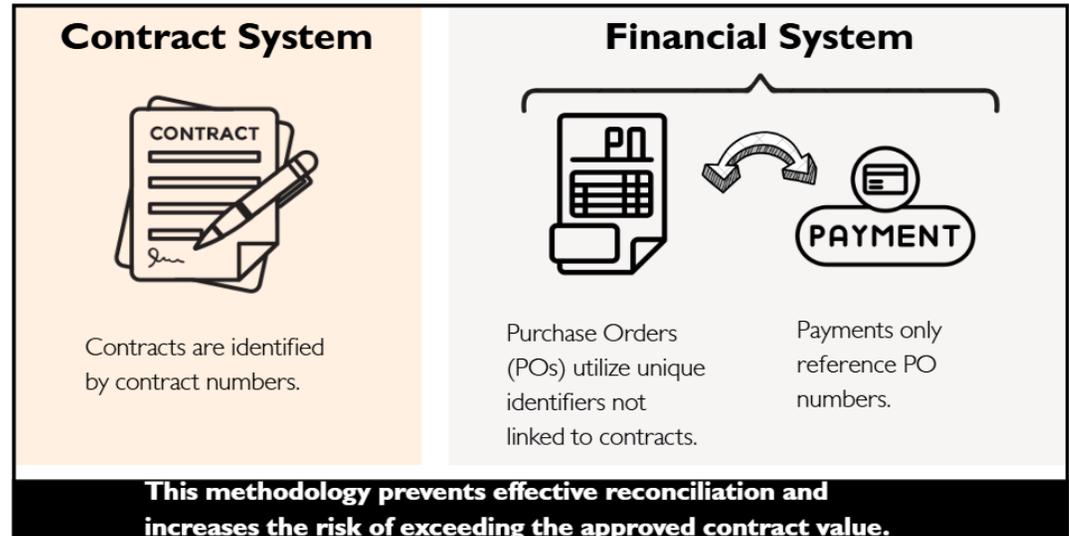


High

Observation 2: A process to reliably track and monitor total spend on contracts is not in place.

The Contract Management Handbook (CMH) includes requirements for developing effective contract monitoring strategies. However, UTPB lacks a reliable process to track total expenditures for each university contract. While each contract receives a unique identifier in the contract management system, this identifier is not included on purchase orders or payment records in PeopleSoft. This disconnect prevents reconciliation of actual spending to approved contracts and increases the risk of exceeding the authorized contract value.

Additionally, some departments processed expenditures without purchase orders, further complicating efforts to monitor spending by contract.



Lastly, the University relies on individual departments to monitor contract spending. However, no centralized oversight exists to verify compliance. Without centralized monitoring, departments may exceed the authorized contract limits without detection.

Action Plan: To ensure UTPB implements a reliable methodology to track contract spend, a contract expenditure tracking protocol will be implemented using existing financial systems and departmental self-monitoring. The following safeguards will help ensure that expenditures do not exceed approved contract values:

I. Contract Tracking Spreadsheet

A shared-access Excel or Google Sheet will be created to track:

- Total contract value
- Current expenditures
- Remaining balance
- Designated department

- Responsibility for monitoring will be assigned to contract owners or department admins.

The individuals designated to monitor spending in the departments will be required to conduct quarterly self-audits to ensure no overspending occurs on the contract. The results of the review will be maintained centrally.

II. Centralized Monitoring

The Purchasing department will monitor the contract tracking spreadsheet and the quarterly self-audits to verify that expenditures do not exceed approved contract values.

III. Purchase Order Compliance

Existing procedural requirements will be enforced to ensure that no purchasing activity occurs without a valid purchase order.

Target Implementation Date: November 1, 2025

Responsible Party: Director Purchasing and Accounts Payable Supervisor





High

Observation 3: **Processes are not aligned with the Contract Management Handbook.**

Testing a sample of contracts for compliance with the Contract Management Handbook (CMH) revealed the following areas where current practices do not align with established requirements:

- **Missing Board of Regents Approval** – Contract files lacked documentation of Board approval for contracts exceeding \$1.5 million. Depending on the contract type, the responsibility for requesting Board approval is divided between UTPB and UT System personnel. According to Regents' Rule 10501, Sec. 2.2.17, Board approval is required when contracts exceed \$1.5 million at UTPB.
- **Unauthorized Exclusive Acquisition** – Purchasing staff processed one contract without approval from a designated individual with signature authority. The contract moved forward as an exclusive acquisition without a valid rationale to support the designation. Unless a valid rationale is documented, the CMH requires competitive offers for such procurements. According to the CMH, the authority to authorize the expenditure of funds does not authorize an employee to sign contracts.
- **No Risk Assessments or Contract Close-Out** – The Purchasing department does not document risk assessments for significant contracts, which the CMH requires to manage contract risk effectively. Additionally, there is no formal process to close out contracts, which is essential for verifying completion and capturing lessons learned.
- **Missing OGC Review and Non-Disclosure Agreements** – Seven of eight contracts tested, valued at \$250,000 or more, lacked documentation of review by the UT System Office of General Counsel and did not include signed non-disclosure statements from evaluation team members. Regents' Rule 10501, Sec. 2.2.17 requires OGC review when contracts exceed \$250k at UTPB, whereas the CMH requires signed non-disclosure statements before reviewing vendor proposals.
- **Missing Informal Quotes or Exclusive Acquisition Justification Form** – Six of eight contracts tested lacked informal quotes from at least three vendors or a completed Exclusive Acquisition Justification (EAJ) form for procurements ranging from \$15,000 to \$50,000. According to the Contract Management Handbook (CMH), informal quotes from three or more vendors are required for such purchases unless an EAJ form is appropriately documented and approved.

Failure to comply with the CMH and Regents' Rules increases the risk of violating state procurement laws, financial mismanagement, and potential for scrutiny from oversight bodies.

Action Plan: Processes will be enhanced to improve compliance with the Contract Management Handbook (CMH). Key improvements include:

- The Purchasing Director or designee will use and approve a compliance checklist before contract execution to ensure alignment with the CMH.

- The Purchasing Director will implement risk assessments and formal contract close-out procedures.

Target Implementation Date: December 1, 2025

Responsible Party: Director Purchasing



Contract Management Audit Fiscal Year 2025

METHODOLOGY



This audit was conducted in accordance with the Institute of Internal Auditors' *Global Internal Audit Standards* and generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the engagement 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 UTPB Office of Internal Audit meets the independence requirements set forth in GAGAS.

Scope & Procedures: The audit included an evaluation of controls in all contracting phases (solicitation, award, monitoring, and termination) and determined if controls are effective in ensuring compliance with applicable policies and state procurement law. Contract activity beginning from fiscal year 2024 through the fiscal year 2025 was examined. Samples were selected from vendors that received payments during fiscal year 2024 and fiscal year 2025. Procedures performed included a review of applicable UT Permian Basin policies and procedures, discussion with knowledgeable staff, and testing business processes in scope. Audit procedures were conducted between July 2025 and August 2025. We will follow up on action plans in this report to determine their implementation status. Any request for extension to the implementation dates for observations rated Priority or High require approval from applicable executive officers. This process will help enhance accountability and ensure that timely action is taken to address the observations.

Observation Ratings

Priority	An issue or condition that, if not addressed timely, has a high probability to directly impact achievement of a strategic or important operational objective of UT Permian Basin or UT System as a whole.
High	An issue considered to have a medium to high probability of significant adverse effects to UT Permian Basin as a whole or at the college/department/unit level.
Medium	An issue considered to have a low to medium probability of adverse effects to UT Permian Basin either as a whole or at the college/department/unit level.
Low	An issue considered to have minimal probability of adverse effects to UT Permian Basin either as a whole or at the college/department/ unit level.

Criteria:

- UT Permian Basin Contract Management Handbook
- UT Permian Basin Purchasing Rules and Regulations
- The University of Texas System Regents' Rules and Regulations
- Legislative Budget Board Overview of Contract Reporting Requirements, 2024-2025 Biennium

Report Distribution:

To: Ms. Elsa Montalvo, Director Purchasing

cc: Dr. Sandra K. Woodley, President
Ms. Natalie Harms, Interim Chief Financial Officer
UT Permian Basin Internal Audit Committee
External State of Texas Agencies (State Auditor, Legislative Budget Board, Governor's Office)

