



THE UNIVERSITY OF TEXAS
PERMIAN BASIN

**Contract Management and Performance -
Chartwells Audit**

Fiscal Year 2026

January 30, 2026

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

Contract Management and Performance – Chartwells Audit Fiscal Year 2026

SUMMARY



BACKGROUND AND OBJECTIVE

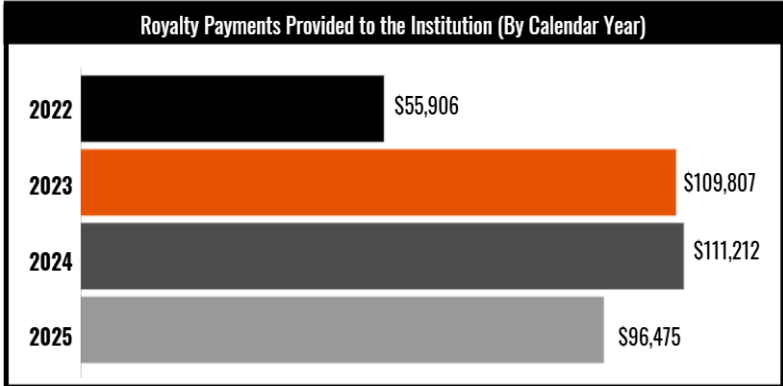
The University of Texas Permian Basin (UTPB) and Compass Group USA, Inc., operating through its Chartwells division, executed a Food Service Agreement (FSA) on August 1, 2016. Under this agreement, Chartwells operates several on-campus dining facilities, including the Falcon Café, Freddy's Food Court, the Catalyst Café, and the Market at Mesa (which is currently closed for construction). In addition, Chartwells manages the franchise location for Starbucks. UTPB receives royalties based on a percentage of the sales generated across the dining facilities.

When the contract was first executed, the responsibility for monitoring the FSA rested with the former Senior Vice President for Business Affairs and Chief Financial Officer. Following a reorganization on May 1, 2025, the responsibility for monitoring transitioned to the Senior Vice President of Technology and Operations (SVPTO). As of October 1, 2025, the SVPTO has delegated oversight to the newly created position of Service Delivery Manager. The responsibility for programming and accurately billing students for meal plans rests with Student Housing.

The objective of this audit was to evaluate contract oversight and monitoring, compliance with terms, and vendor performance. The scope spanned from August 1, 2022, to September 15, 2025. UTPB has received approximately **\$373,000** in royalty payments since Amendment Number Two to the FSA was executed. The current contract expires on July 31, 2026.

CONCLUSION

Formal processes to enhance vendor oversight must be put in place. Additionally, opportunities exist to improve the accuracy of meal plan billing for students.



Source: Data from Chartwells through October 2025

OBSERVATIONS

1 Medium	Formal Processes to Monitor Vendor Performance are Not in Place.
2 Medium	Meal Plan Billing Is Not Consistently Aligned with the Approved Board of Regents Rates.

Management developed action plans that incorporated Internal Audit recommendations to address these observations and anticipates implementation by March 31, 2026.



Medium

Observation I: Formal Processes to Monitor Vendor Performance are Not in Place.

According to the Food Service Agreement (FSA) and Amendment No. 2, UTPB personnel were responsible for oversight and review of compliance with the contract terms. The following opportunities exist to strengthen monitoring of the vendor's performance:

- **Complete Documented Reconciliations of Royalty Payments** – The institution lacks a process to reconcile royalty payments from Chartwells. No commission payments were noted for December 2023 and December 2024. Section 5.1 of the FSA requires royalty payments based on adjusted gross revenue as defined in Schedule 12. Failure to perform reconciliations increases the risk that deviations from the terms of the FSA will not be detected.
- **Implement a Routine Process to Request Financial Statements from the Vendor** – The institution lacks a routine process to request financial information from the vendor. According to the FSA, the vendor is required to submit periodic statements, sales-tax statements, annual budgets, and other reports to the university within 30 days following the end of each accounting period. Without access to the financial data, the institution cannot validate the accuracy of the royalty payments.
- **Implement Monitoring to Ensure the Utilization of the Contingency Fund Balance** – According to the FSA, the vendor is required to make monthly contributions to fund a Contingency Fund, which will cover equipment maintenance and repair costs related to the dining facility. The vendor maintains the fund balance, and under the FSA, both parties must reach a mutual agreement before processing costs from the fund. It was noted that the institution consistently paid maintenance and repair costs from institutional funds, rather than using the Contingency Fund. Since UTPB personnel do not actively monitor the fund balance, the Contingency Fund balance has grown to approximately \$100,000. Due to the lack of monitoring, the institution risks an inability to utilize the vendor-provided resources efficiently, resulting in unnecessary expenditures from institutional funds.
- **A Copy of the Health and Safety Inspection Must Be Shared with the Institution** – UTPB representatives are not provided copies of health and safety inspection reports. While a review of the 2024 reports did not identify significant deficiencies, access to this information is essential to ensure adherence to health and safety practices within the dining facility. The FSA requires the vendor to provide the university with copies of all health and safety inspection reports within three days of receipt. Lack of timely access limits oversight and increases the risk of undetected non-compliance with health and safety standards.
- **Document Assessment of Vendor's Compliance with Payment Card Industry Data Security Standards (PCI DSS)** – According to the FSA, the institution is required to validate compliance with all applicable PCI DSS requirements annually, once the vendor has provided the necessary documentation. University personnel maintain the required access to review and evaluate



the vendor's compliance status; however, historically, the institution has not performed or documented this assessment. Failure to validate the vendor's compliance with applicable PCI DSS requirements could expose the institution to reputational damage in the event of a network intrusion involving cardholder information.

Action Plan:

The following actions are planned:

- The Service Delivery Manager will lead efforts to develop a process for reconciling royalty payments in collaboration with the Accounting department. A routine monitoring process will be implemented to ensure royalty amounts are accurate and comply with the Food Service Agreement.
- Procedures will be enhanced to facilitate timely requests for financial statements and health and safety inspection reports, supporting accurate royalty payment validation and compliance with health and safety requirements.
- A list of allowable expenditures will be developed and routed to Chartwells for payment from the Contingency Fund before the contract ends on July 31, 2026.
- In collaboration with the Chief Information Security Officer, a routine process will be established to request and review PCI DSS documentation to confirm compliance.

Target Implementation Date: March 31, 2026

Responsible Party: Service Delivery Manager



Medium

Observation 2: Meal Plan Billing Is Not Consistently Aligned with the Approved Rates.

A sample of meal plan fees for academic years 2023–2026 was selected to verify whether students were billed accurately. Of the four academic years tested, meal plan differences were noted for two academic years, resulting in underbilling students by approximately \$145,361, as shown in the table below.

Academic Year:	Plan Type:	Billed Rate:	Approved Rate:	Rate Variance	Students Impacted	Total Billing Difference:
2024	Value	\$2,141.00	\$2,162.00	(\$21.00)	572	(\$140,472.00)
	Block 100	\$915.00	\$923.00	(\$8.00)	119	(\$2,782.00)
	Falcon 14	\$1,770.00	\$1,787.00	(\$17.00)	108	(\$1,836.00)
	Block 25	\$244.00	\$247.00	(\$3.00)	75	(\$225.00)
2023	Block 25	\$237.00	\$238.00	(\$1.00)	46	(\$46.00)
Totals:					920	(\$145,361.00)

The responsibility for accurately billing meal plan charges to student accounts rests with the Associate Dean for Student Housing and Leadership Programs. According to Regents Rule 40401: Assessment, Collection, Delegation, and Waiver of Tuition, Fees, and Charges, tuition, fees, and other charges will be fixed as prescribed or authorized by statute.

The institution risks an inability to cover operational costs and non-

compliance with applicable requirements of the Texas Education Code (TEC) and the University of Texas (UT) System Board of Regents' Rule 40401: Assessment, Collection, Delegation, and Waiver of Tuition, Fees, and Charges if students are not billed accurately.

Action Plan:

The following actions are planned:

- Procedures will be enhanced to ensure that student meal plan charges are consistently aligned with the approved rates.
- In prior years, multiple departments handled fee-increase requests inconsistently, which created communication gaps. Former staff members who managed meal-plan rate programming did not receive or seek formal confirmation of approved rates, leading to discrepancies.



- When the gap was identified in Academic Year 2024 (Fall 2023–Spring 2024), the Associate Dean for Student Housing established a clear process to ensure Student Housing verifies, programs, and publishes accurate rates. As a result, no billing errors occurred in Academic Years 2025 and 2026. The revised process is outlined below:
 - Student Housing informs applicants that posted rates reflect the current academic year and may increase for the next year.
 - VPSAEM provides Student Housing with all proposed meal plan fee increases.
 - Once meal plan rates are approved, the Associate Dean for Student Housing receives them directly and authorizes all rate programming.
 - Assigned Student Housing staff program approved rates in the system.
 - Student Housing requests updates to the website to ensure published rates remain accurate.
 - The Coordinator for Assignments double checks programmed rates before fee assessment and reports results to the Associate Dean.
 - Any errors found are addressed immediately and corrected.

Target Implementation Date: February 28, 2026

Responsible Party: Associate Dean for Student Housing and Leadership Programs

Contract Management and Performance – Chartwells Audit Fiscal Year 2026

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 scope included the period from August 1, 2022, through September 15, 2025. Procedures performed included review of the food service agreement, amendments to the food service agreement, discussion with knowledgeable staff, and testing of the business processes in scope. Audit procedures were conducted between November and December 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:

- Food Service Agreement (FSA) and Amendment No. 2
- University of Texas (UT) System Board of Regents' Rule 40401

Report Distribution:

To: Bradley Shook, Sr. V.P. of Technology and Operations, Chief Information Officer (CIO) / Chief Operations Officer
Dr. Becky Spurlock, Sr. V.P of Student Affairs / Enrollment Management

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