



Texas Education Code §51.9337  
Purchasing Policy Assessment  
Internal Audit Report  
Project # 2016-21  
*August 19, 2016*

Reviewed by:   
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Dr. Ricardo Romo  
President

Executive Summary  
Texas Education Code §51.9337 - Purchasing Policy Assessment  
Internal Audit Project # 2016-21

**Objectives:**

Determine if UTSA has policies and procedures in place to ensure compliance with purchasing policies in Texas Education Code (TEC) §51.9337.

TEC §51.9337 outlines purchasing policies that must be established by a state agency's governing board. In 2015, to enhance transparency, the State of Texas modified TEC §51.9337 purchasing policies and added a requirement that state agency's chief audit executive annually certify to the state auditor that the agency's policies comply with requirements.

**Conclusion:**

In our opinion, the UTSA Purchasing and Distribution Services Office has procedures in place to ensure compliance with Texas Education Code §51.9337 and UT System purchasing policies. However, policies on the Purchasing website will be updated to reflect current procedures.

A Priority Finding is defined as "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." Non-Priority Findings are ranked as High, Medium, or Low, with the level of significance based on an assessment of applicable Qualitative, Operational Control, and Quantitative risk factors and probability of a negative outcome occurring if the risk is not adequately mitigated. This audit resulted in one medium finding, but no Priority Findings.

**Non-Priority Recommendations:**

- Update the outdated policies on the UTSA Purchasing website. (Medium)

**Scope:**

The scope of the audit was a comparison of UTSA purchasing policies and procedures in place to UT System and State of Texas guidance. Sample testing of compliance with UTSA policies was not included in the scope of this audit.

Texas Education Code §51.9337 - Purchasing Policy Assessment  
Internal Audit Project # 2016-21

**Background** | In November 2014, the UT System Board of Regents requested the UT System Executive Vice Chancellor for Business Affairs review the sole source and group purchasing practices by UT System institutions. A working group of institution members was subsequently formed and in May 2015 a report was issued by the working group with nine recommendations. The nine recommendations emphasized standardization of sole source and group purchasing processes, certification of group purchasing organizations, tiered approaches for contract approvals and establishment of contract term limits.

In January 2015, the Texas Governor, in response to issues identified at a state agency, issued a letter to all state agencies requiring transparency in state agency contracting and purchasing processes.

**UT System Guidance** | In 2015, the UT System Executive Vice Chancellor for Business Affairs issued directives and guidance to the Chief Business Officers in the UT System about the working group report, the Governor's letter, and subsequent laws. In summary, the directives and guidance clarified existing requirements to enhance contracting and purchasing transparency, including:

- public disclosure of no bid contracts,
- monitoring of potential employee conflicts of interest,
- and approval requirements for contracts at various dollar thresholds.

**State of Texas Guidance** | On September 1, 2015, Texas Senate Bill 20, addressing state agency contracting transparency, became law. Senate Bill 20 made several modifications and additions to both the Texas Government Code and the Texas Education Code (TEC). Most of the new purchasing requirements, such as posting contracts on the internet, are written into the Texas Government Code.

Texas Education Code §51.9337 outlines purchasing policies that must be established by a governing board. It includes a requirement that the chief audit executive annually certify to the state auditor that the policies comply with requirements. In summary, TEC §51.9337 requires state agencies to have:

- Consistent purchasing and contracting policies/contract management handbook that includes guidance on contract delegation, the use of contracting checklists and tiered contract approval,
- Training of purchasing/contracting staff on TEC §51.9337 requirements,

Texas Education Code §51.9337 - Purchasing Policy Assessment  
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<b>UTSA Guidance / Departments</b>	<ul style="list-style-type: none"><li>➤ Code of ethics, standards of conduct, and conflict of interest and commitment policies, and</li><li>➤ Fraud investigation and internal audit standards.</li></ul> <p>UTSA Financial Affairs, under the Vice President for Business Affairs, manages Financial Management Operational Guidelines (FMOG) to provide guidance to UTSA employees on various financial administration topics.</p> <p>In early FY16, Purchasing and Distribution Services moved under Financial Affairs. Purchasing and Distribution Services has purchasing policies posted on their website. In April 2016, Financial Affairs created a <a href="#">purchasing section</a> in the FMOG and is in the process of ensuring current purchasing policies are included in the FMOG.</p> <p>TEC §51.9337 requires the use of a contract management handbook that provides consistent contracting policies and practices and contract review procedures, including a risk analysis procedure. The UT System Office of General Counsel developed a draft contract management handbook, which was provided to all institutions for comments. The UTSA Business Contracts Office is currently reviewing the draft contract management handbook.</p>
<b>Future Assessments</b>	<p>In future annual assessments to the state auditor, we plan to assess adherence to various established UTSA policies and procedures to ensure compliance with TEC §51.9337.</p>

### Audit Results

**Texas Education Code §51.9337 Requirements** | UTSA has policies and procedures in place to ensure compliance with the following Texas Education Code §51.9337 requirements:

- Training of purchasing/contracting staff on TEC §51.9337 requirements,
- Code of ethics, standards of conduct, and conflict of interest and commitment policies, and
- Fraud investigation and internal audit standards.

**Purchasing Office Internal Checklists/ Policies** | However, an opportunity for improvement was identified. The internal checklist used by the Purchasing and Distribution Services staff to conduct their work is current with existing State of Texas and UT System purchasing policies including guidance on contract delegation and tiered contract approval. However, the policies and procedures on the Purchasing Office website are not current and are not consistent with existing State of Texas and UT System purchasing policies.

<b>Observation:</b>	The UTSA Purchasing website includes outdated policies and procedures.
<b>Risk:</b>	Purchasing and Distribution Services Staff and UTSA employees may not comply with UT System purchasing policies and regulations due to a lack of clarity in the policies and procedures on the UTSA Purchasing Website.
<b>Management's Response:</b>	Policies and Procedures to address new legislative requirements and UT Directives including TEC§51.9337 and SB20 related to Purchasing will be updated on the Purchasing & Distribution Services website.
<b>Responsible Person:</b>	Director of Purchasing and Distribution Services
<b>Implementation Date:</b>	8/31/2017

Texas Education Code §51.9337 - Purchasing Policy Assessment  
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**Conclusion** | In our opinion, the UTSA Purchasing and Distribution Services Office has procedures in place to ensure compliance with Texas Education Code §51.9337 and UT System purchasing policies. However, policies on the Purchasing website will be updated to reflect current procedures.

  
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This engagement was conducted in accordance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.