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Public Accounts

# **Post-Payment and Construction Contract Audit of the University of North Texas**

**Fiscal Management Division  
Statewide Fiscal Services Dept.  
Expenditure Audit Section  
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## EXECUTIVE SUMMARY

The Expenditure Audit section of the Texas Comptroller of Public Accounts conducted a post-payment and construction contract audit of the University of North Texas (University). The primary purpose of the audit was to perform:

- A review of payroll expenses processed through the Uniform Statewide Accounting System (USAS) and reported to Human Resource Information System (HRIS) during the audit period and
- A limited review of construction contracts funded by the University.

*Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.*

The audit was conducted in accordance with Texas Government Code, Section 403.071.

The post-payment review of payroll expenses revealed one instance where a failure to account for an employee's previous state employment resulted in an underpayment of the employee's longevity pay. The employee was underpaid a total of \$1,080. The review also found payroll information for \$87,415,582.10 for 208 transactions, that was not reported to HRIS in a timely manner.

The construction contract review revealed numerous instances where a failure to monitor the contractors' expenditures resulted in overbillings totaling \$146,961.43. A Certificate of Substantial Completion was not obtained on a project. A contractor incurred travel expenses without obtaining the University's approval totaling \$1,476.61. In the six contracts reviewed totaling \$152,800,304, the University did not use competitive bidding process best practices. The auditors' findings are summarized in Table 1.

**Table 1: Summary of Findings**

|            | Findings  | Amount of Finding       |
|------------|---|-------------------------|
| Finding #1 | Underpayment of Employee's Longevity Pay                        | \$1,080.00              |
| Finding #2 | Non-Compliance with HRIS Reporting Requirements                 | Not applicable          |
| Finding #3 | Overcharge of Payment and Performance Bonds Premiums            | \$30,417.81             |
| Finding #4 | Overcharge of Liability Insurance Premiums                      | \$55,388.55             |
| Finding #5 | Overcharge of Payroll Burden and Fringe Benefits                | \$55,940.75             |
| Finding #6 | Unallowable Expenses and Related Profit                         | \$5,214.32              |
| Finding #7 | Failure to Obtain a Certificate of Substantial Completion       | Not applicable          |
| Finding #8 | Travel Expenses not Preapproved per Contract Terms              | \$1,476.61 <sup>1</sup> |
| Finding #9 | Scoring or Ranking System to Evaluate Vendor Proposals not Used | \$152,800,304.00        |

**Total     \$152,949,822.04**

<sup>1</sup> Travel expenses not preapproved and no supporting documentation provided.

To assist the University in designing and implementing procedures to ensure compliance with applicable laws, rules and regulations and use of best practices, the auditors developed the following recommendations. The University should:

### **Payroll**

- Ensure that employees' prior state service is properly verified and documented; promptly correct the underpayment through a supplemental payroll as stipulated in Texas Administrative Code, Chapter 34, Section 5.40(c).
- Report all payroll and personnel transactions to HRIS in a timely manner as stipulated in Texas Administrative Code, Chapter 34, Section 5.40(c).

### **Bonds and Insurance**

- Implement procedures to ensure that contractors do not charge the University more than the actual cost of a bond; implement procedures to ensure that the University is credited with discounts or refunds collected by the contractors from a surety.
- Implement procedures to ensure that contractors do not charge the University more than the actual cost of insurance; implement procedures to ensure that the University is credited with discounts or refunds collected by contractors from an insurance company.

### **Contract Terms and Supporting Documentation**

- Implement procedures to ensure that contractors are only refunded allowable payroll items, including: reasonable and customary wages or salaries; labor costs arising out of taxes, insurance, and benefits which are (i) required by law, (ii) required by collective bargaining agreements, or customary.
- Implement procedures to ensure that contractors are only reimbursed expenses allowed in the agreement; and ensure that the contractors do not charge a Construction Phase Fee on unallowable expenses.
- Obtain a Certificate of Substantial Completion from the contractor to certify that the substantial work has been completed in accordance with the contract documents while only minor items remain.
- Ensure that travel expenses incurred directly in support of the project are approved in advance and in writing by the University.

### **Procurement**

- Establish a ranking system to evaluate proposals to ensure consistency in measuring acceptability and quality of vendors, reflect the essential qualities or performance requirements necessary to achieve the objectives of the contract and support best value considerations for all procurements.
- Although not required, during our review we observed that in several instances, the University followed the applicable practices included in the [State of Texas Procurement Manual](#) and the [State of Texas Contract Management Guide](#) standards. To apply business process best practices, ensure appropriate handling of the state funds, and meet its fiduciary obligation, we recommend the University include the *State of Texas Procurement Manual* and the *State of Texas Contract Management Guide* standards as integral parts of its policies and procedures.

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## DETAILED FINDINGS

### Post-Payment Review

#### Finding 1: Incomplete Prior State Service Verification Form/ Incorrect Longevity Pay Amount

The auditors identified one employee with a missing prior state service date on the verification form. In reviewing the employee's prior state service information, the auditors identified previous state employment that was not accounted for on the verification form completed by another institution. The University did not give the employee credit for this state service, which resulted in an underpayment of longevity pay of \$1,080.

This occurred due to the University's oversight.

When an agency hires an employee, the agency must research whether the employee has prior state service. If prior state service exists, the agency must confirm the amount of lifetime service credit and properly record it or run the risk of underpaying longevity pay. See the [Texas Payroll/Personnel Resource](#) — Longevity Pay.

As a result of the audit, the University has implemented procedures and training to avoid future oversights.

#### Recommendation

The University must ensure that prior state service is properly verified and documented for its employees and should promptly correct the underpayment through a supplemental payroll as stipulated in Texas Administrative Code, Chapter 34, Section 5.40(c).

#### University Response

*The UNT System Administration agrees with this finding and requirements.*

*During the time period audited, the Human Resources department was in a stage of transition to a centralized, shared-service organization established to provide HR-related services to all UNT System institutions.*

*The UNT System is currently undergoing a financial transformation to review all financial-related processing throughout all institutions. Longevity processing is being reviewed to establish best practices and controls that will help minimize errors in the future.*

*The HR department will finalize implementation of an automated process that calculates the state service date and creates a prior state service web page on the HR website to provide each employee with general information about prior state service.*

*The underpayment identified in this audit was corrected and the individual received payment.*

## Finding 2: Non-Compliance with HRIS Reporting Requirements

The auditors noted 208 payroll vouchers totaling \$87,415,582.10 that were not reported to HRIS in a timely manner. These ranged in age from three to 370 days late.

The University is not in full compliance with the statutory reporting requirements for institutions of higher education. Personnel and payroll information is required to be reported to HRIS by Texas Government Code, Section 2101.0375.

The Comptroller's office collects and maintains payroll and personnel information for all state employees. The information is used to report statistics to various legislative and oversight bodies, media and the general public. Institutions of higher education must report payroll and personnel events to HRIS as outlined in Texas Administrative Code, Chapter 34, Section 5.41(j) and (l).

The University explained that it was transitioning to a new payroll system so the HRIS reporting was delayed.

### Recommendation

The University must ensure that all payroll transactions are reported to HRIS in a timely manner. Payroll transactions are timely when they are reported and posted by the seventh day of the month following their payment date.

### University Response

*The University takes seriously timely reporting to HRIS. The payroll system was upgraded to a new version of PeopleSoft during the time period of the review. Concurrently, the department experienced significant turnover in staffing and is now stabilized.*

*The delayed reporting issue was corrected shortly after the system conversion was complete and all employees (new and existing) continue to receive ongoing training to ensure timely reporting is maintained.*

## Construction Contract Review

### Finding 3: Overcharge of Bond Premiums

The payment and performance bonds review revealed that the contractors overcharged the University as summarized in Table 2.

**Table 2: Overcharge of Payment and Performance Bond Premiums**

| Contractors                      | Amount of Overcharge |
|----------------------------------|----------------------|
| Bartlett Cocke                   | \$9,190.40           |
| CBS Mechanical                   | \$9,012.80           |
| Infinity Contractors             | \$4,934.60           |
| Vaughn Construction              | \$7,232.80           |
| Beck Warrior (Scoular & Stovall) | \$47.21              |
| <b>Total</b>                     | <b>\$30,417.81</b>   |

In our review of construction contracts, we determined that the amounts the contractors billed the University exceeded the amount billed to the contractors by its surety company.

It is the responsibility of a state agency and its officers and employees to “ensure for each purchase document, the agency maintains necessary documentation for proving that each payment resulting from the document is legal, proper, and fiscally responsible.” See Texas Administrative Code, Chapter 34, Section 5.51(c)(1)(D).

### Recommendation

The University should implement procedures to ensure that contractors do not charge the University more than the actual cost of a bond. Also, the University should implement procedures to ensure that the University is credited with discounts or refunds collected by contractors from a surety.

### University Response

*The University has a procedure for contracts under \$10 million and a more rigorous procedure for contracts of \$10 million or more. For contracts of \$10 million or more, a routine third-party audit is conducted prior to closure at which time such overcharges would be identified if missed during the course of routine review. For projects under \$10 million, the University agrees that the current process can be improved. It is important to note that regardless of project size, a review of all charges and payments is completed at the end of each project to identify any amounts owed to the University.*

*The contract with Beck Warrior was not complete at the time of the Comptroller’s office audit and the University had not completed its standard review, making this particular audit finding related to Beck premature. The University had engaged, as is routine to its process, an external auditor to: 1) review the project holistically, 2) perform a reconciliation of actual costs back to allowable costs per the contract, 3) ensure that all costs are accounted*

## DETAILED FINDINGS

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*for properly and 4) ensure all repayments for disallowed charges, overcharges and refunds are received timely from the contractor. Again, this process is used as an additional level of control and oversight that reconciles and resolves any issues prior to final payment.*

*For projects under \$10 million the University will work with Internal Audit to strengthen the current review procedure.*

*Formal procedures were implemented in fiscal 2016 to ensure any discounts or refunds are collected.*

### **Comptroller Response**

We support the University's effort to strengthen the current review procedure for projects under \$10 million. We consider it a necessary step in order to manage the remaining exposure to risk effectively. Additionally, we agree that it is prudent for the University to engage an external auditor to review the contract activities and related payments for contracts over \$10 million. However, at the time the fieldwork phase of this audit was completed, the external auditor's review was not completed and we could not determine if the same errors would be identified by the external auditor.

## Finding 4: Overcharge of Insurance Premiums

The builder’s risk insurance, subcontractor default insurance and general liability insurance reviews revealed that contractors overcharged the University as summarized in Tables 3, 4 and 5.

**Table 3: Overcharge of Builder’s Risk Insurance Premiums**

| Contractors                      | Amount of Overcharge |
|----------------------------------|----------------------|
| Vaughn Constructions             | \$7,571.54           |
| Beck Warrior (Scoular & Stovall) | \$9,639.00           |
| <b>Total</b>                     | <b>\$17,210.54</b>   |

**Table 4: Overcharge of Subcontractor Default Insurance Premiums**

| Contractors                      | Amount of Overcharge |
|----------------------------------|----------------------|
| Beck Warrior (Scoular & Stovall) | \$11,986.84          |

**Table 5: Overcharge of General Liability Insurance Premiums**

| Contractors                      | Amount of Overcharge |
|----------------------------------|----------------------|
| Bartlett Cocke                   | \$6,495.29           |
| Beck Warrior (Scoular & Stovall) | \$19,695.88          |
| <b>Total</b>                     | <b>\$26,191.17</b>   |

In our review of construction contracts, we determined that the amounts the contractors billed the University exceeded the amount billed to the contractors by its insurance company.

It is the responsibility of a state agency and its officers and employees to “ensure for each purchase document, the agency maintains necessary documentation for proving that each payment resulting from the document is legal, proper, and fiscally responsible.” See Texas Administrative Code, Chapter 34, Section 5.51(c)(1)(D).

## Recommendation

The University should implement procedures to ensure that contractors do not charge the University more than the actual cost of liability insurance, subcontractor default insurance and general liability insurance. Also, the University should implement procedures to ensure that the University is credited with discounts or refunds collected by contractors from an insurance company.

### University Response

*Again, as stated in the prior response, the University has two different procedures for review depending upon the size of the construction contract. It is important to note that a review of all charges and payments is completed at the end of each project to identify any amounts owed to the University. The University is unable to identify potential future insurance rebates until a project is complete. Processes are in place to identify those rebates at the conclusion of the project.*

*The University does agree that the current process for contracts below \$10 million can be strengthened and is working with Internal Audit to improve. Formal procedures were implemented in fiscal 2016 to ensure any discounts or refunds are collected.*

*The established audit procedure prior to final payment for contracts of \$10 million or more is intended to identify and adjust for any such discrepancies in billing and charges. At the time of this state audit, this procedure had not been conducted as the contract with Beck Warrior was not complete. The University had engaged an external auditor to: 1) review the project holistically, 2) perform a reconciliation of actual costs back to allowable costs per the contract, 3) ensure that all costs are accounted for properly and 4) ensure all repayments for disallowed charges, overcharges and refunds are received timely from the contractor. This process is used as an additional level of control and oversight that reconciles and resolves any issues prior to final payment.*

### Comptroller Response

We support the University's effort to strengthen the current review procedure for projects under \$10 million. We consider it a necessary step in order to manage the remaining exposure to risk effectively. Additionally, we agree that it is prudent for the University to engage an external auditor to review the contract activities and related payments for contracts over \$10 million. However, at the time the fieldwork phase of this audit was completed, the external auditor's review was not completed and we could not determine if the same errors would be identified by the external auditor.

### Finding 5: Overcharge of Payroll Burden and Fringe Benefits

The Auditors identified two contracts where the fringe benefit rates charged to the University were higher than the rates approved in the Construction Manager-at-Risk Agreement (CMAR). Summarized in Table 6 are fringe benefit costs in excess of the approved contract rate.

**Table 6: Fringe Benefits (in excess of contract rates)**

| Fringe Benefit                               | Beck Warrior<br>(Scoular & Stovall) | Beck Warrior<br>(University Union) <sup>2</sup> |
|--|-------------------------------------|---|
| Pension                                      | \$195.44                            |   |
| Worker's Compensation Insurance              | \$1,250.41                          | \$1,266.67                                      |
| Accidental Death and Dismemberment Insurance | \$45.23                             | \$262.17  |
| Life Insurance                               | \$307.14                            | \$1,804.31                                      |
| Long-term Disability Insurance               | \$144.32                            | \$666.46  |
| Paid Time-Off                                | \$695.90                            | \$9,736.08                                      |
| <b>Total</b>                                 | <b>\$2,638.44</b>                   | <b>\$13,735.69</b>                              |

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<sup>2</sup> The University Union project was not completed at the time of this analysis; the payroll analysis was limited and performed through payment application #10.

## DETAILED FINDINGS

When auditors requested the required detailed itemization of invoices, the University had to seek the information from the third-party vendor.

As summarized in Table 7, the auditors identified numerous instances where contractors charged the University for non-reimbursable payroll items.

**Table 7: Non-reimbursable Payroll Items**

| Non-reimbursable Payroll Items | Infinity Contractors (Music Building) | Bartlett Cocke (Auditorium) | Vaughn Construction (Discovery Park Lab) | Beck Warrior (Scouler & Stovall) | Beck Warrior (University Union) |
|--------------------------------|---------------------------------------|-----------------------------|--|----------------------------------|---------------------------------|
| Association dues <sup>3</sup>  |                                       |                             |  | \$21.06                          | \$955.86                        |
| Union Dues <sup>4</sup>        |                                       |                             |  | \$2.88                           | \$546.93                        |
| Non-union Dues                 |                                       |                             |  |                                  | \$1,542.32                      |
| Per Diem                       |                                       | \$23,756.56                 | \$343.08                                 |                                  |                                 |
| Holiday Pay                    | \$1,422.79                            | \$1,191.66                  |  |                                  |                                 |
| Safety                         |                                       | \$81.50                     |  |                                  |                                 |
| Mobile Phone Communication     | \$339.75                              |                             | \$78.00                                  |                                  |                                 |
| Small Tools                    | \$3,281.00                            |                             |  |                                  |                                 |
| Truck Depreciation/ Allowance  | \$1,942.15                            |                             | \$675.00                                 |                                  |                                 |
| Truck Fuel                     | \$2,785.95                            |                             |  |                                  |                                 |
| Truck GPS                      | \$135.75                              |                             |  |                                  |                                 |
| Truck Insurance                | \$236.21                              |                             | \$125.00                                 |                                  |                                 |
| Truck Repair                   | \$103.17                              |                             |  |                                  |                                 |
| <b>Total</b>                   | <b>\$10,246.77</b>                    | <b>\$25,029.72</b>          | <b>\$1,221.08</b>                        | <b>\$23.94</b>                   | <b>\$3,045.11</b>               |

Article 10.1 of the University Uniform General Conditions states, in part, “Contractor shall submit to OCM and A/E for acceptance a Schedule of Values accurately itemizing material and labor for the various classifications of Work based on the organization of the specification sections and of sufficient detail acceptable to OCM.” The University’s procedures were not sufficient to discover these unallowable expenses.

It should be noted that for one of the Manager-at-Risk contracts, Beck Warrior (University Union), the contract overcharges and errors identified by this audit were corrected at a later date after an external auditor employed by the University completed a review of all charges and payments for the project.

<sup>3</sup> Association dues paid to N.T.C.A. (North Texas Contractors Association)

<sup>4</sup> Union Dues paid to Laborers – Employers Cooperation and Education Trust (LECET)

### Recommendation

The University should implement procedures to ensure that contractors are only paid allowable payroll items, regardless of the type of construction contract used including: reasonable and customary wages or salaries; labor costs arising out of taxes, insurance, and benefits which are (i) required by law, (ii) required by collective bargaining agreements, or customary. In addition, the University should maintain documentation of receipts of the goods and/or services that match invoices and POs/contracts.

### University Response

*The University does not agree with this finding. The contract with Infinity Contractors was a fixed price and the University does not pay more than the fixed price.*

*The contractors for the other projects met the requirements of their contract and the uniform general conditions. The payments were reasonable based on the documentation received and consistent with statutory and contractual requirements.*

*As noted above, the contract with Beck Warrior for the University Union was not complete at the time of the audit. The University had engaged an external auditor to 1) review the project holistically, 2) perform a reconciliation of actual costs back to allowable costs per the contract, 3) ensure that all costs are accounted for properly and 4) ensure all repayments for disallowed charges, overcharges and refunds are received timely from the contractor. This process is used as an additional level of control and oversight that reconciles and resolves any issues prior to final payment.*

### Comptroller Response

Overpayments disagree with the state of Texas fiduciary responsibility concerning the proper oversight of taxpayers' monies and use of good business practices, regardless of the type of contract and the total fixed price agreed on the project.

**Finding 6: Unallowable Expenses and Inappropriate Construction Phase Fee**

The payment applications review revealed numerous instances where a contractor requested reimbursement for unallowable expenses such as: charges related to other construction projects; corporate office expenses; and late payments; etc. The total amount of unallowable expenses was \$5,100.58.

In addition, the payment applications review revealed numerous instances where a contractor charged a construction phase fee of 2.23 percent on unallowable expenses. As computed in Table 8, the auditors determined that the contractor earned a profit totaling \$113.74 on unallowable expenses.

The University may only pay for goods and services allowed by the contract and related to the project.

**Table 8: Profit on Unallowable Expenses**

| Contractor   | Project (A)      | Unallowable Expenses based on 5 Payment Applications Reviewed (B) | Construction Phase Fee (C) | Profit on Unallowable Expenses based on 5 Payment Applications Reviewed (A) x (B) |
|--------------|------------------|---|----------------------------|---|
| Beck Warrior | University Union | \$5,100.58  | 2.23%                      | \$113.74  |

Although overcharges and errors identified by this audit were corrected, they were corrected at a later date after an external auditor completed a review of all charges and payments for the project.

**Recommendation**

The University should implement procedures to ensure that contractors are only reimbursed expenses allowed in the agreement. The procedures must include a detailed review of the breakdown of charges on each payment application and a review of the breakdown to ensure that all charges are valid and related to the project.

While the profit earned on unallowable expenses was minimal, the University should ensure that contractors do not charge a construction phase fee on unallowable expenses.

### University Response

*The University does not agree with this finding. As noted above, the contract with Beck Warrior for the University Union was not complete at the time of the audit. The University had engaged an external auditor to: 1) review the project holistically, 2) perform a reconciliation of actual costs back to allowable costs per the contract, 3) ensure that all costs are accounted for properly and 4) ensure all repayments for disallowed charges, overcharges and refunds are received timely from the contractor. This process is used as an additional level of control and oversight that reconciles and resolves any issues prior to final payment.*

*Formal procedures were implemented in fiscal 2016 to ensure any discounts or refunds are collected.*

### Comptroller Response

Unallowable expenses disagree with the state of Texas fiduciary responsibility concerning the proper oversight of taxpayers' monies and use of good business practices, regardless of the type of contract and the total fixed price agreed on the project.

## **Finding 7: Failure to Obtain a Certificate of Substantial Completion**

The auditors reviewed the contract documents and the University's policies and procedures applicable to the timely completion of a construction project. In one of the projects under review (Sage Hall [CBS Mechanical]), the University failed to obtain a Certificate of Substantial Completion to certify that the contractor had completed the required work.

Section 12.1.1.2 of the University's policies and procedures states that the contractor shall issue a Certificate of Substantial Completion when it determines that the work is complete.

### **Recommendation**

The University should obtain a Certificate of Substantial Completion from the contractor to certify that the substantial work has been completed in accordance with the contract documents, with only minor items remaining.

### **University Response**

*The University agrees with this finding. Standard procedures were in place for obtaining a certificate of substantial completion, but were not followed in this case due to a staffing change on the project.*

*Formal procedures were implemented in fiscal 2016 for obtaining a certificate of substantial completion from contractors.*

## Finding 8: Travel Expenses not Preapproved

The payment applications review revealed numerous instances where a contractor incurred \$1,476.61 in travel expenses without obtaining prior approval from the University. There was no documentation in the files to substantiate that the trip was preapproved by the University as required by Section 7.01(c)(1) of the Construction Manager-at-Risk Agreement.

The University did not state why it did not preapprove these travel expenses. However, the University indicated that overcharges and errors identified by this audit were corrected at a later date after an external auditor completed a review of all charges and payments for the project.

### Recommendation

The University should ensure that travel expenses incurred directly in support of the project are approved in advance and in writing by the University.

### University Response

*The University does not agree with this finding. As noted above, the contract with Beck Warrior for the University Union was not complete at the time of the audit. The University had engaged an external auditor to: 1) review the project holistically, 2) perform a reconciliation of actual costs back to allowable costs per the contract, 3) ensure that all costs are accounted for properly, and 4) ensure all repayments for disallowed charges, overcharges and refunds are received timely from the contractor. This process is used as an additional level of control and oversight that reconciles and resolves any issues prior to final payment.*

### Comptroller Response

We agree that it is prudent for the University to engage an external auditor to review the contract activities and related payments for contracts over \$10 million. However, at the time the fieldwork phase of this audit was completed, the external auditor's review was not completed and we could not determine if the same errors would be identified by the external auditor.

## **Finding 9: Scoring or Ranking System to Evaluate Vendor Proposals and Other Best Practices Not Used**

The auditors performed a procurement review to determine whether the University's contractors selection process was in compliance with the University System facilities planning, the construction policies and procedures, and the competitive bidding process best practices.

For the six contracts selected for the audit, a scoring or ranking system was not used to evaluate proposals. Policies and procedures for a scoring or ranking system will provide consistency in measuring acceptability and quality of vendors, and will reflect the essential qualities or performance requirements necessary to achieve the objectives of the contract. It will also support best value considerations for all procurements.

The University indicated that evaluation committees were established for each formal solicitation and any necessary notes from the committee's evaluation discussion were maintained with the solicitation documentation. Additionally, as a result of the audit, during fiscal 2015, an enhanced process was implemented that includes a formalized ranking system.

During the audit, the auditors also reviewed the procurement documents the University provided for the six contracts that were selected for audit. The auditors observed several instances where the University followed some bidding best practices. However, not in other instances:

- Three contracts' Request for Proposals (RFPs) were not advertised on the Electronic State Business Daily (ESBD) website. Advertising the RFPs on the ESBD will broaden the pool of bidding vendors.
- Three contracts had no support showing that the Centralized Master Bidders List (CMBL) database was used. The CMBL can be used to broaden the pool of bidding vendors. For another three contracts, the CMBL was used, but the supporting documentation was not dated.
- Four contracts where the System of Award Management (SAM) website was not used to check the list of vendors excluded from Federal Procurement and Non-procurement Programs. SAM is used to check whether an entity to which a contract may be awarded is suspended or debarred.
- Six contracts where the Vendor Performance Tracking System (VPTS) was not used. The VPTS is used to report vendor performance to benefit state procurement community by evaluating vendor performance to reduce the risk in the contract awarding process. The VPTS, or any internal system, should be used to track exceptional, satisfactory, and unsatisfactory vendor performance for future procurement and bargaining.

The auditors' findings are summarized in Table 9.

## DETAILED FINDINGS

**Table 9: Procurement Findings**

| Contracts                                | Type of Contract  | Original Contract Value | ESBD                 | CMBL             | SAM            | VPTS             | Scoring & Ranking System     |
|--|-------------------|-------------------------|----------------------|------------------|----------------|------------------|------------------------------|
| Auditorium (Bartlett Cocke)              | CMAR <sup>5</sup> | \$5,900,000             | Did not post on ESBD | Undated CMBL     | ✓              | Failed to report | No scoring or ranking system |
| Scoular & Stovall (Beck Warrior )        | CMAR              | \$8,700,000             | Did not post on ESBD | Undated CMBL     | Did not verify | Failed to report | No scoring or ranking system |
| University Union (Beck Warrior)          | CMAR              | \$128,400,000           | ✓                    | Undated CMBL     | Did not verify | Failed to report | No scoring or ranking system |
| Discovery Park Lab (Vaughn Construction) | CMAR              | \$3,993,320             | ✓                    | Did not use CMBL | Did not verify | Failed to report | No scoring or ranking system |
| Sage Hall (CBS Mechanical)               | Fixed Price       | \$3,197,900             | Did not post on ESBD | Did not use CMBL | ✓              | Failed to report | No scoring or ranking system |
| Music Building (Infinity Contractors)    | Fixed Price       | \$2,609,084             | ✓                    | Did not use CMBL | Did not verify | Failed to report | No scoring or ranking system |

### Recommendation

To ensure business process best practices, appropriate handling of state funds, and to meet its fiduciary obligation, the University should establish a vendor ranking/scoring system and should consider consistent use and adoption of the state procurement and contracting rules.

### University Response

*The University does not agree with the finding related to a scoring or ranking system. The University had a well-documented and compliant vendor ranking/scoring process to facilitate consistent procurement and contracting practices. Evaluation committees were established for each formal solicitation. The committee members evaluated each response and the group collectively determined the best respondents for: (1) interviews/presentations or (2) awards. This evaluation and selection process was used on the projects identified in the audit finding.*

*During fiscal year 2015, the existing formal evaluation process was enhanced to include a complete ranking system.*

*The University does not agree with the finding related to the Electronic State Business Daily (ESBD), Centralized Master Bidders List (CMBL) or Vendor Performance Tracking System (VPTS). As noted in Texas Education Code, Title 3, Chapter 51.9335 (d), institutions of higher education are exempt from these requirements of state agencies.*

*The University agrees with the finding related to the use of the System for Award Management (SAM). Procedures were implemented in fiscal 2016 to ensure consistent use of the system as required.*

<sup>5</sup> Construction Manager-at-Risk

### Comptroller Response

We support the University's effort in taking additional steps in resolving this issue and the remaining exposure to the risk involved. However, at the time of the fieldwork phase of this audit, we did not receive any supporting documentation from the evaluation committee related to the reviewed contracts. Additionally, the 2015 enhancement to the ranking system process was not in place. Finally, we are hopeful that the University's governing board would incorporate additional best practices that will help ensure a fair and consistent procurement process, appropriate handling of state funds and meeting of fiduciary obligations.