



Contract Management at The University of Texas at El Paso

- The University cannot reliably identify its total expenditures for each contract and lacks adequate processes to prevent contracts from exceeding their maximum values.
- The University complied with requirements for vendor selection, contract formation, and monitoring. However, it should strengthen its processes to ensure compliance with planning and procurement requirements.
- The University restricted access to its contacting system, but it did not sufficiently prevent users from having excessive access rights.

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State Auditor

The University of Texas at El Paso (University) does not have a process in place to ensure that each purchase order or payment is associated with its contract. As a result, the University cannot always determine how much it has paid on a contract or if the total payments made have exceeded the maximum contract value. In addition, the University did not always amend or extend contracts as needed. Generally, the University complied with vendor selection, contract formation, and contract monitoring requirements. However, it should strengthen other contracting processes and ensure that users have appropriate rights in its contracting system.

Audit Objective | p. 16

This audit was conducted in accordance with Texas Government Code, Sections 321.013, 321.0131, and 321.0132.

HIGH

CONTRACT PAYMENTS AND AMENDMENTS

The University cannot reliably identify its total expenditures for a given contract and may pay more than the total contract value.

[Chapter 1 | p. 3](#)

LOW

CONTRACT HANDBOOK AND CERTIFICATIONS

The University complied with applicable requirements related to contracting policies, procedures, and certifications.

[Chapter 2-A | p. 8](#)

MEDIUM

CONTRACTING PROCESSES

The University generally complied with most contracting requirements tested. However, it should strengthen certain aspects of its contracting processes.

[Chapter 2-B | p. 9](#)

MEDIUM

USER ACCESS

The University allows access privileges for individual users to be modified; however, it does not have a process to track or review those changes.

[Chapter 3 | p. 14](#)

Summary of Management's Response

Auditors made recommendations to address the issues identified during this audit, provided at the end of certain chapters in this report. The University agreed with the recommendations.

Ratings Definitions

Auditors used professional judgment and rated the audit findings identified in this report. The issue ratings identified for each chapter were determined based on the degree of risk or effect of the findings in relation to the audit objectives.

PRIORITY: Issues identified present risks or effects that if not addressed could *critically affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

HIGH: Issues identified present risks or effects that if not addressed could *substantially affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

MEDIUM: Issues identified present risks or effects that if not addressed could *moderately affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

LOW: The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks *or* effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

For more on the methodology for issue ratings, see Report Ratings in Appendix 1.



HIGH

Chapter I Contract Payments and Amendments

The University cannot reliably determine its total expenditures for a given contract. As a result, it cannot ensure that it does not pay more than the total contract value. In addition, there is a significant risk that the University could incur liability by having contractors continue to work past the contract expiration because it does not consistently ensure that contracts are amended or extended as needed.

The University cannot reliably identify its total expenditures for each of its contracts.

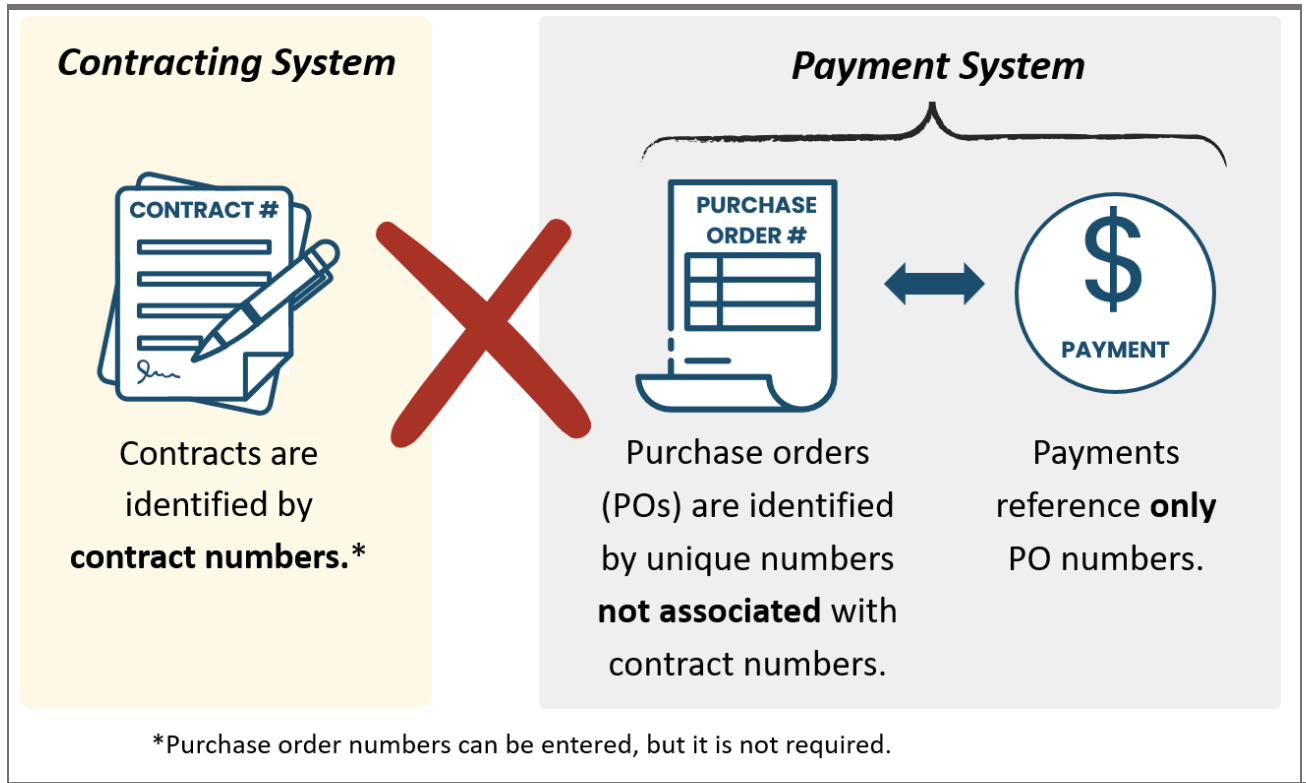
The University does not have a process in place to ensure that each purchase order or payment is associated with its contract (see Figure 1 on the next page). As a result, the University cannot consistently verify that it has recorded the total payments in its payment system for a contract. Additionally, it cannot always determine how much has been paid on a contract at any given time or if the total payments made on a contract have exceeded the maximum contract value.

Specifically, each contract is assigned a unique number in the University's, contract management system. For each contract, the University can issue one or multiple purchase orders,¹ which are assigned unique numbers in the purchasing system. However, the University may not consistently associate a purchase order number with its contract. In addition, payment documentation references the purchase order number, but not the contract number. As a result, the University cannot consistently verify that payments are not exceeding the contract's total value.

¹ This includes vouchers, which may be used to process contract payments in certain situations.

Figure 1

The University's Contract Payment Process



Source: Information provided by the University.

The University relies on individual departments to monitor contract payments and total contract amounts. However, the University does not have any processes to monitor and verify that the departments are effectively performing that duty.

Due to those weaknesses in the University's processes and payment records, the total amount spent for the contracts tested could not be reliably confirmed. Based on information provided by the University, auditors determined that one contract² tested exceeded its maximum contract value by at least \$34,442. The final overage amount may be higher because there could be additional payments that were made but were not associated with the contract.

For the remaining six contracts tested, the information in the University's contracting system did not show that total payments had exceeded the maximum values; however, due to the weaknesses discussed above, there

² Two of the nine contracts sampled did not have a maximum contract value.

could be other purchase orders with additional payments made that could raise total payments in excess of the maximum contract value.

Not adequately monitoring total payments increases the risk that the University will pay more than the approved amount for goods and services received.

The University does not have an effective process for ensuring that contracts are properly extended.

Of the nine contracts tested that had expired end dates, three were identified by the University as current active projects. However, the University did not amend those contracts to extend the contract end dates. Allowing work on an expired contract to continue puts the University at risk because the contract's terms and conditions designed to protect the University's interest may no longer be in effect.

When contracts are set to expire, the University contacts the related department to determine if it intends to terminate, renew, or extend the contract, or allow it to end as applicable. The department must then confirm the action it will take. However, there is no subsequent process in place to ensure that the department follows through on its stated action. In addition, because the University does not always associate each purchase order or payment with its contract, there is a risk that it may make payments on a contract that is expired or has exceeded its maximum value.

The University did not accurately report contract data to the Legislative Budget Board.

The University reports its contracts on its website, as well as to the Legislative Budget Board, to comply with statutory requirements.

Transparency Reporting on Website. The University appropriately reported all 2,104 eligible contracts by contract number on its website.

Legislative Budget Board (LBB) Reporting. However, the University did not report contract information to the LBB in accordance with LBB requirements. Specifically, it reported contract information by purchase orders. As a result,

the information reported may not include all contracts due to the weaknesses in the University's processes discussed above, which reduces transparency. According to LBB guidance, each unique contract should have been reported.

Recommendations

The University should:

- Develop and implement a process to monitor total contract payments, which could include associating payments to their related contracts and monitoring the departments' activities.
- Develop and implement a process to consistently extend contracts when needed to prevent possible liabilities from activities associated with expired contracts.
- Develop and implement a process to report information by each contract individually to the LBB in accordance with reporting requirements.

Management's Response

Responsible Party's Comments:

The University of Texas at El Paso focuses on continuous improvement and agrees there is an opportunity to improve on current processes. It is important to ensure controls are properly in place and followed to mitigate risk of overpayments on contracts.

Corrective Action Plan:

Contract Administration to analyze current procedures to determine what process can be established through the University e-procurement system to assist with associating payments to contracts.

Purchasing Department's procedures communicated to department end-users will be reviewed and revised as necessary to ensure that when a requisition is submitted through the e-procurement system, the requisition amount is in alignment with the contract amount.

Additionally, procedures will be reviewed, revised and implemented to

ensure that this verification takes place internally within Purchasing to address any discrepancies.

Current processes with Planning & Construction to be reviewed to support efforts to ensure that agreements are properly extended if required.

The University of Texas at El Paso agrees that not reporting complete or accurate contract information may prevent the LBB from effectively monitoring compliance with requirements and identifying risk. The University will work with UT System and the Legislative Budget Board to identify reporting efficiencies to improve representation of data to better align with the statutory and LBB reporting requirements.

Responsible Party: **Vice President for Business Affairs**

Timeline for Implementation: **January 1, 2026**

LOW

Chapter 2-A Contract Handbook and Certifications

The University complied with applicable requirements related to contracting policies, procedures, and certifications.

The University established its own *Contract Management Handbook* as required by Texas Education Code, Section 51.9337(b)(3). That handbook was consistent with the *State of Texas Procurement and Contract Management Guide* and incorporated statutory requirements, including:

- Establishing clear levels of purchasing accountability and staff responsibilities related to purchasing.
- Describing each step of the procedures to evaluate and process contracts.
- Requiring certain training for officers and employees authorized to execute contracts.
- Implementing risk analysis procedures as required by Texas Government Code, Section 2261.256.

In addition, all six University contract administrators tested had the required contract manager certification.

MEDIUM

Chapter 2-B Contracting Processes

The University successfully performed several of its contracting processes and, as discussed in Chapter 2-A, developed policies and procedures for contract management. The University successfully performed many of its required activities and generally met requirements to ensure successful contract management in various contracting functions. However, the University should strengthen certain aspects of its contracting processes, including how it uses its existing contract management checklists.

The University complied with requirements for vendor selection, contract formation, and performance monitoring of its contracts.

Vendor Selection. For the contracts tested, the University consistently followed its processes to comply with vendor selection requirements. The University verified that proposals submitted were responsive when applicable, and its bid scoring was consistent with its published methodology and mathematically correct. In addition, the University considered best value criteria and appropriately justified its decision in selecting the vendor.

Contract Formation. Each of the nine tested contracts contained all required and applicable clauses tested.

Contract Monitoring. All nine contracts tested were assigned to appropriate contract managers. The University also successfully obtained key deliverables for each contract, and it monitored the contracts throughout their lifetimes. For each of the 20 payments tested, payments to vendors were supported by invoices and made for allowable expenditures, and the goods or services were verified as received and inspected.

The University complied with most contract planning and procurement processes; however, it should strengthen its processes for performing and documenting certain steps.

For the nine contracts tested, the University performed contract planning and procurement processes to comply with applicable requirements. Specifically, for the nine contracts tested, (1) the contracts were approved as required, (2) the contracts were procured using the appropriate methods, and (3) the solicitations contained selected required elements.

However, the University did not consistently comply with certain other requirements related to planning and procurement. For example, it did not consistently document that it conducted a needs assessment or document how it estimated the value of each procurement. Other examples include:

- **Nondisclosure/Conflict of Interest Forms.** For the 7 applicable contracts tested,³ the University obtained signed nondisclosure/conflict of interest forms as required by its *Contract Management Handbook* from 32 of the 34 total evaluators. Two contracts were each missing one signed form.
- **Risk Assessment.** For 3 (33 percent) of the 9 contracts tested, the University under-rated the risk level as defined by its risk guidelines.
- **Recording contract maximum value.** For 3 (33 percent) of the 9 contracts tested, the University did not calculate the maximum contract amount as defined in its *Contract Management Handbook* and The University of Texas System's rules.

Consistently complying with planning and procurement requirements would help the University protect its interests and ensure that its contracts are for goods and services that are consistent with its identified needs.

³ Two of the nine contracts tested were exclusive acquisitions and did not go through the competitive procurement process; therefore, it did not have evaluators.

The University did not consistently follow its processes to close contracts.

The University's *Contract Management Handbook* requires certain close-out procedures to be performed when its contracts expire. However, the University did not perform all the required close-out activities for 3 (50 percent) of the 6 contracts tested that were expired.⁴ Close-out activities that the University did not perform included verifying that all products and services were provided, that contract terms were fulfilled, and that all monitoring issues were resolved.

Not completing all required contract close-out activities increases the risk that the University will not obtain all the goods or services for which it has contracted and increases the risk that future contracts will be awarded to vendors with past performance issues.

The University developed, but did not consistently use, checklists for its contracting processes.

As required by Texas Education Code, Section 51.9337(d)(2), the University developed a checklist to help ensure that required activities are performed prior to contract execution. The checklist contains steps requiring the inclusion of the reason for purchase, a cost estimate, and the length of the contract. This checklist was included in the University's *Contract Management Handbook*. In addition, the University developed a separate checklist to assist staff when closing out contracts.

However, the University did not require staff to use the checklists, and the checklists were not used for the contracts tested. Requiring staff to use the checklists could help the University address most of the issues discussed above.

⁴ Auditors tested nine contracts that were listed in the contract management system, Miner Mall, as expired; however, as discussed in Chapter 1, three contracts were still ongoing.

Recommendations

The University should:

- Consistently complete and document all its required contract planning, procurement, and close-out activities. This could include requiring the use of its developed checklists to help ensure consistency and documentation.
- Verify that each evaluator that is reviewing solicitation responses has signed the nondisclosure/conflict of interest form.
- Calculate the maximum value of each contract using the required methodology.

Management's Response

Responsible Party's Comments:

The University of Texas at El Paso focuses on continuous improvement and agrees there is an opportunity for improvement on the current processes. It is important to have all required documentation prior to execution of a contract and to ensure closeout procedures are consistently followed.

Corrective Action Plan:

Purchasing Department's procedures will be reviewed and revised as necessary to ensure that, prior to execution of a contract, all required documentation is completed; this includes individual conflict of interest and Non-Disclosure memorandums and Needs Assessment documentation. Current checklist utilized will be reviewed and revised accordingly to ensure all required steps are followed and required documentation is on the contract file, to include individual conflict of interest and Non-Disclosure memorandums, Needs Assessment documentation, and contract maximum value. Staff will be trained on the importance of completing all required forms and to incorporate the use of the checklist.

Contract Administration procedures will be reviewed and revised as necessary to ensure close-out procedures are followed. Current checklist utilized will be reviewed and revised accordingly to ensure all required steps are followed and required documentation is on the contract file. Staff will be trained on close-out related functions and incorporate the use of the contract-close out checklist.

Responsible Party: **Associate Vice President, Purchasing & General Services**

Timeline for Implementation: **January 1, 2026**

MEDIUM

Chapter 3

User Access

The University restricted access to its Miner Mall system, which is its centralized repository of contract information (see text box), to current employees. However, it did not have sufficient processes to prevent users from having excessive access rights.

The University allows access privileges for individual users to be modified; however, it does not have a process to track or review those changes.

While the University has defined user roles with assigned access privileges for its Miner Mall system, system administrators can modify the access privileges for individual users regardless of the assigned role. The University does not have (1) a process in place to ensure that those changes are appropriate or (2) means to track updated permissions. In addition, the system does not allow the University to extract and review all users and their assigned permissions, including all customizations. Because of those weaknesses, the University was not able to provide a comprehensive list of the users and their permissions to that system.

The University does not conduct user access reviews for system permissions.

In addition, the University did not have a documented process to regularly perform reviews of user permissions, and it had not conducted a review of user permissions during the scope of the audit. As a result, the University cannot ensure that users' access within the system is limited to the user's business needs, as required by the Department of Information Resources' *Security Control Standards Catalog* (see text box).

Miner Mall System

Miner Mall is the University's procurement system of record. The University uses it for shopping, purchase requisitions, purchase orders, contract management, receiving, invoicing and payment documentation, and routing of document approvals.

Source: The University.

Principle of Least Privilege

State agencies are required to employ the principle of least privilege, allowing only authorized accesses for users (or processes acting on behalf of users), that are necessary to accomplish assigned organizational tasks.

Source: Department of Information Resources' *Security Control Standards Catalog*, Version 2.1.

While some users may have excessive privileges in the University's contract information system, the system does not allow users to perform significant steps associated with a contract. For example, users cannot sign a contract or make any payments in the system.

Recommendations

The University should:

- Develop and implement a process to monitor customizations of access rights that vary from the user's business role.
- Perform periodic user access reviews to verify that users' access rights are limited to the users' business needs.

Management's Response

Responsible Party's Comments:

The University of Texas at El Paso focuses on continuous improvement and agrees there is an opportunity for improvement on current processes. It is important to ensure controls are properly in place and followed to mitigate risk pertaining to user access.

Corrective Action Plan:

System administrators to analyze current procedures to establish processes to periodically review and monitor system privileges and changes to roles with the tools available.

Responsible Party: **Vice President for Information Resources**

Timeline for Implementation: **January 1, 2026**



Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether The University of Texas at El Paso (University) administers selected contract management functions in accordance with applicable requirements.

Scope

The scope of this audit covered the University's contract administration, procurement, formation, vendor selection, and oversight for contracts that were active at any time between September 1, 2022, and March 31, 2024.

The scope also included a review of significant internal control components related to (1) vendor payments; (2) total payments made on the contracts, and (3) contract management processes.

The following members of the State Auditor's staff performed the audit:



- Arnton Gray, CPA, CIA (Project Manager)
- Michelle Rodriguez, CFE (Assistant Project Manager)
- Alanna C. Glor
- Amanda Griffith
- Benjamin Halverson Fox, CPA
- Namita Pai, CPA
- Lauren Ramsey
- Robert G. Kiker, CFE, CGAP (Quality Control Reviewer)
- Becky Beachy, CIA, CGAP (Audit Manager)

Methodology

We conducted this performance audit from March 2024 through December 2024 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. In addition, during the audit, matters not required to be reported in accordance with *Government Auditing Standards* were communicated to the University's management for consideration.

Addressing the Audit Objective

During the audit, we performed the following:

- Interviewed the University's management and key staff to gain an understanding of the contract management processes and controls.
- Identified the relevant criteria:
 - Texas Department of Information Resources' *Security Control Standards Catalog*, Version 2.1.
 - Sections applicable to higher education institutions from Texas Government Code, Chapters 2261 and 2262.
 - Texas Education Code, Chapter 51.
 - The University of Texas System Regents' *Rules and Regulations*.
 - The University's policies and procedures.
 - The University's *Contract Management Handbook*.
 - The University's *Purchasing Department Operating Procedures*.
 - Legislative Budget Board Contracts Oversight Team *Frequently Asked Questions, 2024-2025 Biennium*.
- Reviewed approval pathways within the University's contract management database to determine whether contracts were routed to appropriate and authorized individuals for review and approval.

- Reviewed the University's *Contract Management Handbook* to determine whether it contained elements required by the *State of Texas Procurement and Contract Management Guide* and Texas Government Code, Section 2261.256.
- Reviewed training and certification requirements for the contract administration managers and determined whether all current contract administration managers complied with those requirements.
- Analyzed contract data to identify split purchases to avoid approvals that are based on contract value thresholds.
- Selected a targeted sample for testing of 9 contracts (total reported value of \$53,705,237) of 236 total contracts (total reported value of \$112,175,771) valued at \$50,000 or more that were active between September 1, 2022, and March 31, 2024. The contracts were selected based on dollar value, monitoring requirements, procurement method, and contract subject area. This sample design was chosen to address specific population characteristics. The sample items were not representative of the population; therefore, it would not be appropriate to project those test results to the population. The contracts were tested to determine whether the University:
 - Planned and procured the contract and selected the vendor in accordance with applicable requirements.
 - Included selected required clauses in the contracts.
 - Monitored the performance of the contracts.
 - Reviewed and approved payments on the contracts and that the payments did not exceed total contracted amounts.
- Selected and tested a targeted sample of 20 payments out of 961 identified payments for the 8 contracts tested that had payments to determine whether they were approved as required. The payment data was from either the University's contract management system or its payment system. (See Chapter 1 for discussion of issues related to payment records.) The payments were selected based on the time of their occurrence to determine whether the University performed its approval processes at different points in time. This sample design was chosen to address specific population characteristics. The sample items were not representative of the population; therefore, it would not be appropriate to project those test results to the population.

- Selected a targeted sample for testing of 9 contracts recorded as expired between September 1, 2022, and March 31, 2024, in the University's contracting system of 84 total expired contracts valued at \$50,000 or more. The contracts were selected based on certain characteristics, such as the dollar value of the contracts. This sample design was chosen to address specific population characteristics. The sample items were not representative of the population; therefore, it would not be appropriate to project those test results to the population. The contracts were tested to determine whether the University followed its contract close-out process.

Data Reliability and Completeness

Auditors determined that the contract and user populations in Miner Mall, as well as the voucher populations for payment testing from Peoplesoft, were sufficiently reliable for the purposes of the audit. For each data set, auditors (1) observed University staff extract requested data populations, (2) reviewed data queries and report parameters, (3) analyzed the population, and (4) compared corroborating data populations.

Report Ratings

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.



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