



An Audit Report on

**Selected Facilities Support Services
Agreements and Special Projects at
Selected Universities in the Texas A&M
University System**

April 2018

Report No. 18-024



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Overall Conclusion

The audited universities in the Texas A&M University System (System) should (1) perform and document contract risk analysis as required by Texas Education Code, Section 51.9337, and (2) work with the Legislative Budget Board (LBB) to ensure that they consistently report contract values, contract types, and details of their procurement through facilities support services agreements (FSSAs).

Three of the four universities audited should improve certain contract management processes for their FSSAs, while one of the audited universities performed sufficient FSSA performance and fiscal monitoring. (See text box for information regarding the FSSAs audited at each university.)

Specifically:

- Texas A&M University - San Antonio (TAMU San Antonio) should (1) document its monitoring processes of FSSA contractor performance and (2) enhance its fiscal monitoring and FSSA change approval process to ensure that it pays the correct amount for services it receives. In addition, TAMU San Antonio should ensure that employees who administer FSSAs obtain the required contract training and certifications.
- Texas A&M International University (TAMU International) should improve its process to oversee procurement of special projects under the FSSA. Additionally, TAMU International should ensure that employees who administer FSSAs obtain required contract training and certifications.
- Texas A&M University - Commerce (TAMU Commerce) performed FSSA performance and fiscal monitoring and oversight of a procurement of a special project under the FSSA; however, it should consistently perform required quarterly surveys to monitor the FSSA.

Background Information on the Contracts and Projects Audited

The universities entered into FSSAs to outsource facilities support services, landscaping, and custodial services. The FSSAs included clauses for the FSSA contractor to perform services, including special projects such as campus construction, that would normally be performed by the universities' facilities groups (see Appendix 3). Audited contracts and special projects included:

- TAMU San Antonio:
 - Facilities support services, FSSA annual value \$1,727,312.
- TAMU International:
 - Recreation center addition, total project value \$3,998,000. ^a
- TAMU Commerce:
 - Facilities support services, FSSA annual value \$6,032,523.
 - Multi-athletic court, FSSA total project value \$2,121,436. ^a
- TAMU Central Texas:
 - Facilities support services, FSSA annual value \$525,103.

^a Procured as a special project under the terms of the FSSA; total project values (rather than annual values) are presented.

Sources: FSSAs, FSSA amendments, and other documentation as provided by the audited universities.

This audit was conducted in accordance with Texas Government Code, Section 321.0132.

For more information regarding this report, please contact Hillary Eckford, Audit Manager, or Lisa Collier, First Assistant State Auditor, at (512) 936-9500.

- Texas A&M University Central Texas (TAMU Central Texas) had sufficient processes to monitor the FSSA contractor performance and its payment processes.

Auditors communicated other, less significant issues to the universities' management separately in writing.

Table 1 presents a summary of the findings in this report and the related issue ratings. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Table 1

Summary of Chapters/Subchapters and Related Issue Ratings		
Chapter/ Subchapter	Title	Issue Rating ^a
1-A	The Audited Universities Should Perform and Document Risk Analysis Procedures	Medium
1-B	The Audited Universities Should Enhance Compliance with Statutory Reporting Requirements	Low
2	TAMU San Antonio Should Document Its Processes for Monitoring of FSSA Contractor Performance and Improve Fiscal Monitoring	Priority
3	TAMU International Should Strengthen Its Oversight of Special Project Procurement and Ensure That Contract Managers Obtain Required Training; While Its Performance and Fiscal Monitoring Process Worked as Intended	High
4	TAMU Commerce Performed FSSA Performance and Fiscal Monitoring, But It Should Consistently Perform Quarterly User Surveys	Low
5	TAMU Central Texas Performed Sufficient Performance and Fiscal Monitoring of the Audited FSSA	Low

^a A chapter/subchapter is rated Priority if the 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 and reduce risks to the audited entity.

A chapter/subchapter is rated High if the 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 and reduce risks to the audited entity.

A chapter/subchapter is rated Medium if the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

A chapter/subchapter is rated Low if the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(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.

Summary of Management's Response

At the end of certain chapters in this report, auditors made recommendations to address the issues identified during this audit. The four universities audited agreed with the recommendations in this report.

Audit Objective and Scope

The objective of this audit was to determine whether higher education entities have administered certain contract management functions for selected contracts in accordance with applicable requirements.

The scope of this audit covered contracts at Texas A&M University System members with a single contractor. Auditors selected contracts based on risk. Selected contracts included the following:

- TAMU San Antonio: Facilities Support Services Agreement.
- TAMU International: Recreation Center expansion project.
- TAMU Commerce: Facilities Support Service Agreement and Multi-athletic Court project.
- TAMU Central Texas: Facilities Support Services Agreement.

For FSSAs, auditors limited the testing of payment and performance monitoring to fiscal year 2016, except for TAMU San Antonio, where auditors also tested contract pricing changes in fiscal year 2017 for approval. For the Recreation Center expansion project at TAMU International and the Multi-athletic Court addition at TAMU Commerce, auditors tested payment and performance monitoring from the inception of the special projects through spring 2017.

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Detailed Results

Chapter 1

The Audited Universities Should Perform Risk Analysis Procedures and Enhance Compliance with Contract Reporting Requirements

The audited universities in the Texas A&M University System (System) should perform the risk analysis procedures required by statute and review and enhance their contract reporting to the Legislative Budget Board.

The audited universities included:

- Texas A&M University - San Antonio (TAMU San Antonio).
- Texas A&M International University (TAMU International).
- Texas A&M University - Commerce (TAMU Commerce).
- Texas A&M University - Central Texas (TAMU Central Texas).

Chapter 1-A

The Audited Universities Should Perform and Document Risk Analysis Procedures

Chapter 1-A
Rating:
Medium ¹

Texas Education Code, Section 51.9337(b)(3), requires universities to establish a contract management handbook that provides consistent contracting policies and practices, and contract review procedures, including a risk analysis procedure. To comply with that requirement the System developed a *Contract Management Handbook* and a *Purchasing Accountability and Risk Analysis Procedure*.

However, the audited universities did not provide evidence showing that they had performed the required risk analysis process for the contracts audited. Performing a risk analysis procedure helps a university (1) identify contracts at higher risk that require enhanced contract monitoring, (2) define what is expected of enhanced monitoring for the higher risk contracts, and (3) document the performance of the enhanced monitoring.

¹ Chapter 1-A is rated as Medium because the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

Recommendation

The audited universities should perform and document contract risk analyses as required by Texas Education Code, Section 51.9337(b)(3), and described in the System's *Purchasing Accountability and Risk Analysis Procedure*.

Management's Response from TAMU San Antonio

TAMU San Antonio will perform and document contract risk analyses as required by the Texas Education Code and described in the Texas A&M System's Contract Management Handbook.

Implementation Target Date: *Implemented - The Purchasing Department conducts a risk analysis on all competitive contracts. The Risk Analysis document is placed in the contract file.*

Responsible Person: *Director of Procurement and Auxiliary Services*

Management's Response from TAMU International

Texas A&M International University agrees with the recommendation and will perform and document contract risk analyses as required by the Texas Education Code and described in the Texas A&M University System's Contract Management Handbook.

Implementation Date: *August 2018*

Responsible Person: *Director of Purchasing and Support Services and Associate Vice President for Administration*

Management's Response from TAMU Commerce

TAMU-Commerce will perform and document contract risk analyses as required by the Texas Education Code and described in The Texas A&M System Contract Management Handbook.

Responsible Person: *Chief Procurement Officer*

Timeline for Implementation: *This process is implemented and working.*

Management's Response from TAMU Central Texas

TAMU Central Texas will perform and document contract risk analyses as required by the Texas Education Code and described in the Texas A&M System's Contract Management Handbook.

Responsible Person: Contract Specialist

Implementation date: May 1, 2018.

Chapter 1-B

The Audited Universities Should Enhance Compliance with Statutory Reporting Requirements

Chapter 1-B
Rating:
Low ²

Texas Government Code, Sections 2166.2551 and 2254.006; and Sections 7.04 and 7.12, pages IX-38 and IX-40, the General Appropriations Act (84th Legislature), require state agencies and higher education institutions to report major contracts to the Legislative Budget Board (LBB). Table 2 on the next page shows the information the audited universities reported to the LBB for the audited FSSAs and special projects; Table 2 on the next page also includes certain information from the executed contracts. The audited universities reported all of the selected contracts to the LBB; however, they did not report those contracts consistently. For example:

- The contracts for FSSAs at TAMU San Antonio, TAMU Commerce, and TAMU Central Texas were reported to the LBB as competitively procured; however, they were not competitively procured and were established based on best value.
- The contract value reported to the LBB did not match the contract value in the contract documentation for the special project at TAMU International, the FSSA at TAMU Commerce, and the FSSA at TAMU Central Texas.
- The contract category was not consistent for FSSAs at TAMU San Antonio, TAMU Commerce, and TAMU Central Texas. One contract was reported as a service contract and the other two were reported as construction contracts. In addition, the FSSA special projects for construction were reported inconsistently. TAMU International reported the special project as professional/consulting services, construction; TAMU Commerce reported the special project as goods, construction.

² Chapter 1-B is rated Low because 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.

Table 2

Summary of Reporting for FSSAs and Projects Audited							
University	Information the Universities Reported to the Legislative Budget Board				Executed Contract Terms		
	Contract Service	Contract Category	Competitively Procured?	Contract Value	Contract Execution Date	Contract Estimated Completion Date	Contract Value
TAMU San Antonio	Outsourcing of facilities services	Services-Other	Yes	\$1,727,312	July 1, 2013	August 2, 2022	\$1,727,312 (annual value)
TAMU International	Recreation center construction/ architect fee/ project management fee	Professional/ Consulting Services, Construction	Yes	\$3,911,532	October 8, 2015	None reported	\$3,998,000
TAMU Commerce	Facilities support services	Construction	Yes	\$5,900,131	April 1, 2013	August 2, 2022	\$6,032,523 (annual value)
	Multi-athletic court addition construction	Goods, Construction	No	\$2,121,436	July 1, 2016	December 31, 2016	\$2,121,436
TAMU Central Texas	Facilities and landscape maintenance	Construction	Yes	\$2,235,916	July 1, 2013	August 2, 2022	\$525,103 (annual value)

Sources: Legislative Budget Board contract database as of March 10, 2017, the FSSAs, and the FSSAs' support documentation.

Recommendation

The audited universities should work with the Legislative Budget Board to clarify required reporting on FSSAs and construction-related projects performed under FSSAs, and report those contracts accordingly.

Management’s Response from TAMU San Antonio

TAMU San Antonio will work with the Texas A&M University System and the Legislative Budget Board to clarify required reporting on FSSAs and construction related projects performed under FSSAs, and report those contracts accordingly.

Implementation Target Date: March 2019

Responsible Person: Director of Procurement and Auxiliary Services

Management's Response from TAMU International

Texas A&M International University will work with the Texas A&M University System to seek clarification from the Legislative Budget Board on the reporting requirements.

Implementation Date: March 2019

Responsible Person: Director of Purchasing and Support Services

Management's Response from TAMU Commerce

TAMU-Commerce will work with The Texas A&M University System and the Legislative Budget Board to clarify required reporting on FSSA's and construction-related projects performed under FSSAs, and report those contracts accordingly.

Responsible Person: Chief Procurement Officer

Timeline for Implementation: March 2019

Management's Response from TAMU Central Texas

TAMU Central Texas will work with the Texas A&M University System and the Legislative Budget Board to clarify required reporting on FSSAs and construction related projects performed under FSSAs, and report those contracts accordingly.

Responsible Person: Contract Specialist

Implementation date: May 31, 2018.

TAMU San Antonio Should Document Its Processes for Monitoring of FSSA Contractor Performance and Improve Fiscal Monitoring

Chapter 2
Rating:

Priority ³

TAMU San Antonio should document its procedures for monitoring FSSA contractor performance, including documenting the results of its monitoring processes. Additionally, it should enhance its fiscal monitoring and FSSA change approval process to ensure that it pays the correct amount for services it receives. TAMU San Antonio also should ensure that individuals who perform those processes obtain required training.

Monitoring

TAMU San Antonio asserted that it had processes for monitoring the FSSA audited (see text box for information on that FSSA, executed in July 2013).

TAMU San Antonio Contract Type: Facilities Support Services. Contract Value: \$1,727,312 (annual value). Contract Term: July 1, 2013, through August 2, 2022. Sources: Contract and amendment documents.

According to TAMU San Antonio, the individuals responsible for monitoring and managing the FSSA left employment. The processes that were in place and documentation of those processes were lost in that transition. Therefore, when auditors requested documentation of the monitoring for the FSSA, TAMU San Antonio did not have documented guidance to monitor performance of the FSSA audited. Additionally, TAMU San Antonio had no documentation, such as inspection reports or performance reports, showing that it had monitored and inspected the performance of the contractor associated with the FSSA audited. Without documented processes to monitor contractor performance, TAMU San Antonio had no assurance that services were provided as required.

Payments

Auditors tested 8 contract payments totaling \$321,407 (of the 59 payments totaling \$1,940,077 in fiscal year 2016) and TAMU San Antonio had appropriate approvals for those payments. However, TAMU San Antonio did not always ensure that the invoices complied with contract pricing. During the audit period, TAMU San Antonio moved from rented space into its new facilities. That change resulted in fewer square foot coverage of newer facilities, which entitled TAMU San Antonio to a price adjustment under the FSSA. TAMU San Antonio asserted that it had a change review process for services provided through the FSSA and that it had reviewed and approved changes to fees that the contractor charged for custodial services. However, the contractor calculated fees incorrectly in January 2017 and did not correct them until the State Auditor's Office identified the error in August 2017. That

³ Chapter 2 is rated Priority because the 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 and reduce risks to the audited entity.

error had resulted in the contractor overcharging TAMU San Antonio \$32,509. The contractor agreed to refund the overcharge and correct future billings.

Training

TAMU San Antonio did not ensure that employees responsible for contract administration and monitoring had obtained the training and certifications required by the System's *Contract Management Handbook*. Specifically, no TAMU San Antonio employees held the certified Texas contract manager designation during the audit period. When employees do not obtain training represented by that certification, there is a risk that the monitoring process will not be designed or executed properly to ensure contractor compliance and performance.

Recommendations

TAMU San Antonio should:

- Document and perform procedures required for monitoring the FSSA audited, and document its results for monitoring contractor performance.
- Document and enhance contract administration procedures, including procedures for ensuring appropriate maintenance and retention of FSSA documentation and procedures for fiscal monitoring to ensure that it pays the correct amount for the services it receives.
- Ensure that employees who are responsible for administering and monitoring FSSAs have obtained the required training and certifications.

Management's Response from TAMU San Antonio

- *TAMU San Antonio (TAMUSA) has implemented processes and procedures for monitoring the FSSA contract, as well as for monitoring all major contracts. These processes and procedures have been developed in accordance with State of Texas guidelines and Texas A&M University System policies and regulations. Documentation is available of weekly meetings held with FSSA in which progress on projects are reviewed. Detailed notes from these meetings are distributed to TAMUSA management and to FSSA representatives for appropriate action and/or follow-up, as necessary.*

Implementation Target Date: Implemented as of February 14, 2018

Responsible Person(s): Director of Procurement and Auxiliary Services, supported by the Director of Facilities.

- TAMUSA recently hired highly-qualified personnel to ensure the enhancement of contract administration procedures. These positions include the Director of Procurement and Auxiliary Services and the Director of Facilities. These two directors coordinate the monitoring of the FSSA and perform key roles in ensuring appropriate maintenance and retention of FSSA documentation, including monitoring of correct payment for services received. Key initiatives implemented include:
 - ♦ Regularly scheduled work order meetings with SSC and follow up on customer satisfaction surveys; Implemented 2/1/18
 - ♦ Regularly scheduled periodic maintenance meetings with SSC; Implemented 2/1/18
 - ♦ Regularly scheduled facilities meetings with SSC; Implemented 1/2/18
 - ♦ Creation of a spread sheet by SSC to track costs during construction projects that allow TAM USA to accurately track each invoice as it relates to a given project; Implemented 2/15/18
 - ♦ Collection by TAM USA of periodic maintenance documentation for services performed by SSC and/or SSC's sub-contractors;
Target Implementation Date: September 30, 2018.
 - ♦ Regularly scheduled building rounds and report findings to SSC; Implemented 1/18/18
 - ♦ Regularly scheduled ground rounds and report findings to SSC; Implemented 1/18/18
 - ♦ Regularly scheduled customer satisfaction surveys; Implemented 1/18/18
 - ♦ Annual contract reviews. Implemented 1/26/18

Additionally, a cloud-based contract tracking system has been acquired and implemented to track and monitor all contracts.

Target Implementation Date: Implemented February 14, 2018

Responsible Person(s): Director of Procurement and Auxiliary Services, supported by the Director of Facilities

- *Both directors mentioned above completed the Certified Texas Contract Manager (CTCM) course on March 20, 2018 to ensure that responsible individuals receive the proper training and certification needed for compliance.*

Implementation Target Date: *CTCM exam to be completed by September 30, 2018.*

Responsible Person(s): *Director of Procurement and Auxiliary Services and Director of Facilities*

TAMU International Should Strengthen Its Oversight of Special Project Procurement and Ensure That Contract Managers Obtain Required Training; While Its Performance and Fiscal Monitoring Process Worked as Intended

Chapter 3
Rating:
High ⁴

TAMU International should improve its process to oversee procurement of special projects and ensure that its contract managers obtain required training. Its performance and fiscal monitoring review process worked as intended.

Procurement of the Special Project (Recreation Center Expansion)

TAMU International asserted that it directed its FSSA contractor to construct a \$4 million Recreation Center expansion project. That construction project was considered a special project under the terms of the FSSA.⁵ (See Appendix 3 for more detail on the FSSA agreements.) Based on the terms for special projects in the FSSA, TAMU International agreed to pay the FSSA contractor cost plus a fee of 3 percent to hire the construction contractor and manage the construction for the Recreation Center expansion project.

TAMU International
Contract Type: Special project to expand the Recreation Center executed under the terms of the FSSA.
Contract Value: \$3,998,000 (FSSA value \$2,518,915).
Contract Term: Executed October 8, 2015.
Sources: Contract, contract amendments, and purchase order for the special project.

TAMU International did not document its oversight of the FSSA contractor's procurement of the Recreation Center expansion contractor. As a result, the following occurred:

- TAMU International did not retain documentation showing that it had directed the FSSA contractor by reviewing and approving the scope of work for the Recreation Center expansion. TAMU International asserted that documentation of monitoring, review, and approval was not required by the FSSA. Reviewing and approving the scope of work is important to ensuring that both parties agree and that the project specifications meet TAMU International's needs.
- TAMU International did not retain documentation to demonstrate that it reviewed and approved the FSSA contractor's solicitation for the Recreation Center expansion prior to the contractor's soliciting bids for that project. Additionally, while the FSSA contractor posted its solicitation on an industry Web site, TAMU International did not post the

⁴ Chapter 3 is rated High because the 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 and reduce risks to the audited entity.

⁵ The FSSA was not selected for audit. However, an understanding of the FSSA is necessary as it defines the outsourced services and provides the background, authorization, and partial governance for the performance of the special project for the construction of the Recreation Center expansion.

solicitation on the *Electronic State Business Daily* as System policy required.

- TAMU International did not retain documentation to demonstrate that it reviewed the single bid, determined the solicitation to be not restrictive, and approved the award. The FSSA contractor received one bid in response to the solicitation; four other vendors declined to bid. However, of the four vendors that declined to bid, two bidders indicated that timing was an issue. In those situations, analyses are usually performed to determine if a solicitation is too restrictive and a determination should be made about whether to reissue the solicitation. TAMU International asserted that it considered the responses and, at the recommendation of the FSSA contractor, did not require reissue of the solicitation. Documenting the decision not to reissue the solicitation is important because with only one bidder there is an increased risk that the bid and the decisions on the selection could be influenced.

Monitoring

TAMU International demonstrated involvement in monitoring the construction of the Recreation Center expansion project through documented attendance at monthly progress coordination meetings. However, TAMU International did not ensure that the employee who was responsible for administering the Recreation Center expansion project obtained the training and certification that the *System's Contract Management Handbook* required. Specifically, one TAMU International employee held the certified Texas contract manager designation; however, that employee was not involved in monitoring the project. When employees do not obtain required training, that increases the risk that the monitoring process will not be designed or executed properly to help ensure contractor compliance and performance.

Payments

For all six contractor payments tested for the Recreation Center expansion project (totaling \$1,478,348 of the \$3,576,249 paid), TAMU International had proper support, processed the payments in a timely manner, and ensured that the payments were allowable. Authorized parties at TAMU International also reviewed and approved those six payments. However, for three payments tested, the project management fee was incorrect. TAMU International identified that error after it had made 10 payments, resulting in an overpayment totaling \$54,195. TAMU International worked with the contractor to make adjustments to subsequent invoices to refund the overpayment.

Recommendations

TAMU International should:

- Develop and implement procedures to oversee and document contractor performance related to procurement and compliance with the Texas Education Code on construction performed through special projects.
- Ensure that employees who are responsible for administering FSSAs have obtained the required training and certifications.

Management's Response from TAMU International

Texas A&M International University will develop and implement procedures for overseeing and documenting FSSA contractor performance related to procurement for construction projects per the Texas Education Code.

Implementation Date: August 2018

Responsible Person: Director of Purchasing and Support Services and Associate Vice President for Administration

Texas A&M International University agrees and has registered the employee responsible for administering the facilities support services agreement for the State training and expects the employee will receive the requisite certification this summer.

Implementation Date: July 2018

Responsible Person: Associate Vice President for Administration

TAMU Commerce Performed FSSA Performance and Fiscal Monitoring, But It Should Consistently Perform Quarterly User Surveys

Chapter 4
Rating:
Low⁶

TAMU Commerce established procedural guidance for monitoring components of the audited FSSA (see text box for information on that FSSA, executed in April 2013), including guidance for procuring special projects, monitoring contractor performance, performing inspections, and reviewing payments.

Procurement of the Special Project (Multi-athletic Court Addition)

TAMU Commerce directed its FSSA contractor to construct a \$2.1 million Multi-athletic Court addition. That construction project was considered a special project under the terms of the FSSA. (See Appendix 3 for more detail on the FSSA agreements.) Based on the terms for special projects in the FSSA,

TAMU Commerce agreed to pay the FSSA contractor cost plus a fee of 5 percent to hire the construction contractor and manage the construction for the Multi-athletic Court addition.

TAMU Commerce oversaw the contractor's procurement of the special project. For example, TAMU Commerce maintained evidence of its approval of the project's scope and its review of the FSSA contractor's solicitation of the Multi-athletic Court addition. That oversight is important because the structure of the procurement process for the special project created a risk that the bid and the decisions on the selection could be influenced.

TAMU Commerce

Contract Type: (1) Facilities support services and (2) special project to construct the Multi-athletic Court under the terms of the FSSA.

Contract Term: (1) April 1, 2013, to August 2, 2022, and (2) executed July 1, 2016.

Contract Value: (1) \$6,032,523 (annual value) and (2) \$2,121,436.

Sources: Contract and amendment documents.

Monitoring

TAMU Commerce demonstrated its monitoring of contractor performance for the Multi-athletic Court addition project by documenting attendance at monthly progress coordination meetings it held with the contractor and other parties. TAMU Commerce had documentation of monthly progress coordination meetings for all three months tested.

TAMU Commerce used quarterly inspection reports for facilities support services (which it documented through user surveys) and weekly project management meetings as its primary activities for monitoring contractor performance under the audited FSSA. However, for 1 (50 percent) of 2 quarters tested, TAMU Commerce did not perform the quarterly survey that

⁶ Chapter 4 is rated Low because 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.

its quality assurance surveillance plan required, increasing the risk that TAMU Commerce could pay the contractor for services not received.

Payments

Auditors tested 22 contract payments for facilities support services (totaling \$1,913,453 of the \$12,838,910 paid in fiscal year 2016) and 3 payments for the special project (totaling \$252,687 of the \$1,908,746 paid from inception of the project through May 2017). The payments tested were properly supported, accurately calculated, properly reviewed and approved, and allowable under the terms of the agreement.

Training

The contract manager at TAMU Commerce obtained the contract training and certifications that the System's *Contract Management Handbook* required.

Recommendation

TAMU Commerce should establish and implement a process to ensure that it consistently performs required quarterly surveys for FSSAs.

Management's Response from TAMU Commerce

The University is in agreement that we did not perform one of the required quarterly surveys during the selected audit period, but a process is in place and functioning to ensure timely surveys are distributed to the campus in accordance with the Quality Assurance Surveillance Plan. The University has remained consistent with the surveys since the audit period, by successfully completing the last five in a row.

Responsible Person: *Chief Procurement Officer*

Timeline for Implementation: *This process is implemented and working.*

TAMU Central Texas Performed Sufficient Performance and Fiscal Monitoring of the Audited FSSA

Chapter 5
Rating:
Low ⁷

TAMU Central Texas established and followed procedural guidance for monitoring performance of the FSSA audited, including sufficient payment monitoring (see text box for information on that FSSA, executed in July 2013). Additionally, employees had obtained required training and certifications.

Monitoring

TAMU Central Texas used weekly progress reports and monthly performance inspections as its primary activities for monitoring contractor performance.

Payments

For the 6 contractor payments tested (totaling \$264,070 of the \$737,860 paid in fiscal year 2016), TAMU Central Texas had proper support, processed the payments in a timely manner, and ensured that the payments were allowable. Authorized parties at TAMU Central Texas also reviewed and approved those six payments.

Training

The employees performing contract management tasks at TAMU Central Texas had obtained the training and certifications or were supported by an individual who obtained the training and certifications that the System's *Contract Management Handbook* required.

TAMU Central Texas
Contract Type: Facilities support services.
Contract Value: \$525,103 (annual value).
Contract Term: July 1, 2013, through August 2, 2022.
Sources: Contract and amendment documents.

⁷ Chapter 5 is rated Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(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.

Appendices

Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether higher education entities have administered certain contract management functions for selected contracts in accordance with applicable requirements.

Scope

The scope of this audit covered contracts at Texas A&M University System (System) members with a single contractor. Auditors selected contracts based on risk. Selected contracts included the following:

- Texas A&M University – San Antonio (TAMU San Antonio): Facilities Support Services Agreement.
- Texas A&M International University (TAMU International): Recreation Center expansion project.
- Texas A&M University – Commerce (TAMU Commerce): Facilities Support Service Agreement and Multi-athletic Court project.
- Texas A&M University – Central Texas (TAMU Central Texas): Facilities Support Services Agreement.

For facilities support service agreements (FSSAs), auditors limited the testing of payment and performance monitoring to fiscal year 2016, except for TAMU San Antonio, where auditors also tested contract pricing changes in fiscal year 2017 for approval. For the Recreation Center expansion project at TAMU International and the Multi-athletic Court addition at TAMU Commerce, auditors tested payment and performance monitoring from the inception of the special projects through spring 2017.

Methodology

The audit methodology consisted of conducting interviews, collecting and reviewing contract information, performing tests and procedures against predetermined criteria, and analyzing certain information.

Data Reliability and Completeness

Auditors used contractor payment data from the Financial Accounting Management Information System (FAMIS). Auditors' procedures to review the payment information from FAMIS for completeness included (1) tracing the data to hard-copy files, (2) performing high-level data analysis to determine the completeness of the data, (3) observing the data extract, and (4) reviewing the parameters used to extract the data. In addition, auditors relied on related information technology general and application control work performed by previous State Auditor's Office audits. At TAMU Central Texas, auditors tested user access and segregation of duties for the Buy A&M System. Auditors determined that the data was sufficiently reliable for the purposes of this audit.

Sampling Methodology

Auditors selected payments to test for TAMU Commerce and TAMU San Antonio using random selection. In addition, auditors selected risk-based samples of payments for TAMU Central Texas and TAMU International for testing. Those sample items were not representative of the population and, therefore, it would not be appropriate to project the test results to the population.

In addition, auditors selected monitoring reports to test at TAMU Commerce using random selection. In some cases, auditors selected monitoring reports for testing based on risk. The sample items were not representative of the population. The test results did not identify which items were randomly selected or selected based on risk. Therefore, it would not be appropriate to project those test results to the population.

Information collected and reviewed included the following:

- Contract documents.
- Contract expenditure data, including supporting documentation.
- The universities' documentation of monitoring processes, including meeting minutes, performance inspections, and survey responses.

Procedures and tests conducted included the following:

- Interviews with university and System personnel.
- Reviews of contracts for terms and requirements.
- Comparison of tasks performed for compliance with contract documents, university system policies, and guides.

- Reviews of contract monitoring processes and documentation.
- Review of contract payments for proper support, review, and approval.

Criteria used included the following:

- Texas Education Code, Sections 51.778, 51.779, 51.783, 51.9335, and 51.9337.
- General Appropriations Act (84th Legislature).
- System and university policies and procedures.

Project Information

Audit fieldwork was conducted from March 2017 through September 2017. We conducted this performance audit 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.

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

- Jules Hunter, CPA, CIA (Project Manager)
- Kelly Bratton, MBA, CFSA, CRMA (Assistant Project Manager)
- Charlotte Carpenter, MBA, CPA
- Jonathan Morris, MBA
- Taylor Sams
- Mary Ann Wise, CPA, CFE (Quality Control Reviewer)
- Hillary Eckford, CIA, CFE (Audit Manager)

Issue Rating Classifications and Descriptions

Auditors used professional judgement and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/sub-chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

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.

Table 3 provides a description of the issue ratings presented in this report.

Table 3

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/functions(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.
Medium	Issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
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.
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.

Background Information on FSSAs

In 2012, the Texas A&M University System (System) solicited contracts for the operation and management of building maintenance services. After a

competitive bid process, the System awarded contracts for the performance of facility maintenance, landscape maintenance, and custodial service at Texas A&M University and Texas A&M University facilities located in the Brazos Valley area.

Best Value Acquisition of Goods and Services

a) An institution of higher education may acquire goods or services by the method that provides the best value to the institution.

(b) In determining what is the best value to an institution of higher education, the institution shall consider:

- (1) the purchase price;
- (2) the reputation of the vendor and of the vendor's goods or services;
- (3) the quality of the vendor's goods or services;
- (4) the extent to which the goods or services meet the institution's needs;
- (5) the vendor's past relationship with the institution;
- (6) the impact on the ability of the institution to comply with laws and rules relating to historically underutilized businesses and to the procurement of goods and services from persons with disabilities;
- (7) the total long-term cost to the institution of acquiring the vendor's goods or services;
- (8) any other relevant factor that a private business entity would consider in selecting a vendor; and
- (9) the use of material in construction or repair to real property that is not proprietary to a single vendor unless the institution provides written justification in the request for bids for use of the unique material specified.

Source: Texas Education Code, Section 51.9335.

At the direction of the System, the universities entered into separate facilities support services agreements (FSSAs) with the contractor with which the System had contracted. The audited universities established the FSSAs under what the System asserted provided "best value" under the purchasing authority granted by Texas Education Code, Section 51.9335 (see text box for additional details). Additionally, special projects entered into under the terms of the FSSAs were considered best value awards.

Services to be performed under the FSSAs were designed to match services of the existing facilities function, including facilities support, landscaping, and custodial services. The contracts covered (as

applicable):

- Transition of university personnel to the contractor.
- Base fees:
 - Fee work—Services included in the base fee of the contract, such as preventative maintenance up to the preventative maintenance cost threshold.
 - Non-fee work—Services not included in the base fee, such as deferred maintenance, preventative maintenance exceeding the threshold, and special projects. A separate project management fee can be assessed as determined by the project management fee threshold.
- Special projects—Campus construction. The FSSAs authorized the universities to approve and direct the contractor to plan, procure, and manage replacement or improvement of a component of any of the

premises, including interior and exterior components, physical plant and equipment, or any capital-funded expenditure. Special projects were budgeted separately from the FSSA.

Special projects are done on a cost-plus basis. Additionally, although the fees are contractually set, they can be negotiated up to 5 percent. Separate System guidelines required the FSSA contractor, in consultation with the universities, to determine the construction delivery method and then procure the construction contractor in a manner consistent with the procurement methods outlined in Texas Education Code, Chapter 51.

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The Honorable Joe Straus III, Speaker of the House, Joint Chair
The Honorable Jane Nelson, Senate Finance Committee
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The Honorable Dennis Bonnen, House Ways and Means Committee

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The Honorable Greg Abbott, Governor

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