

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON-CLEAR LAKE  
UNIVERSITY OF HOUSTON-DOWNTOWN  
UNIVERSITY OF HOUSTON-VICTORIA

PURCHASING

REPORT NO. AR2020-07



UNIVERSITY OF HOUSTON SYSTEM  
Internal Auditing Department  
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## MEMORANDUM

**TO:** Mr. Peter K. Taaffe  
Chair, Audit and Compliance Committee

Dr. Renu Khator  
Chancellor/President, UHS/UH

**FROM:** Don F. Guyton  
Chief Audit Executive

**DATE:** October 24, 2019

**SUBJ:** Internal Audit Report – UHCL, UHD, and UHV Purchasing

I have attached for your review the final draft of the above referenced internal audit report. This report has been distributed to/discussed with key personnel of the University of Houston System. This report is summarized as follows:

### **Executive Summary:**

We performed a review of purchasing at the University of Houston-Clear Lake (UHCL), University of Houston-Downtown (UHD), and University of Houston-Victoria (UHV). Our primary objective of this review was to determine whether resources are being effectively and efficiently deployed under an adequate system of internal controls to help ensure purchasing of goods are timely and in compliance with statutes, regulations, and university policies. In our opinion, UHCL, UHD, and UHV have adequate internal controls to help ensure purchasing of goods are timely and in accordance with statutes, regulations, and university policies. Although we noted no matters that we considered to be significant risk exposures and control issues, we did note opportunities for improvement in the following areas: customer feedback and goals and objectives. Management is in the process of addressing these opportunities for improvement.

This audit report is scheduled to be included in the agenda materials for the November 14, 2019, meeting of the Audit and Compliance Committee of the Board of Regents. Please let me know if you have any questions.

Attachment

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON-CLEAR LAKE, UNIVERSITY OF HOUSTON-  
DOWNTOWN, AND UNIVERSITY OF HOUSTON-VICTORIA  
PURCHASING**

**BACKGROUND:**

We performed a review of purchasing at the University of Houston-Clear Lake, University of Houston-Downtown, and University of Houston-Victoria. The purchasing departments at these universities are responsible for the purchasing of goods in a manner that will result in the best value to their respective university. Below is a table representing the number of employees in the purchasing department at each university, the number of purchase orders, and the total dollar amount for FY 2019.

<b>University</b>	<b>Employees</b>	<b>Purchase Orders</b>	<b>Dollar Amount</b>
UHCL	4	1,332	\$37,125,490
UHD	6	1,054	\$24,665,907
UHV	2	576	\$34,707,958

**OBJECTIVES:**

The objectives of our review were as follows:

1. Determine whether the department's activities are helping accomplish its goals and objectives.
2. Determine whether resources are being effectively and efficiently deployed under an adequate system of internal controls and activities comply with statutes, regulations, and policies.
3. Determine whether there are opportunities for standardization among departments/campuses.

**SCOPE OF WORK:**

We interviewed purchasing department personnel, reviewed policies and procedures, conducted a customer satisfaction survey, and performed other audit procedures, as appropriate.

## **CONCLUSION:**

In our opinion, UHCL, UHD, and UHV have adequate internal controls to help ensure purchasing of goods are timely and in accordance with statutes, regulations, and university policies. Although we noted no matters that we considered to be significant risk exposures and control issues, we did note opportunities for improvement in the following areas: customer feedback and goals and objectives. Management is in the process of addressing these opportunities for improvement.

Appendix A lists the areas where there are opportunities for improvement, recommendations that will enhance the control environment in these areas, and management's responses.

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Don F. Guyton  
Chief Audit Executive  
October 8, 2019

## APPENDIX A

### OPPORTUNITIES FOR IMPROVEMENT

#### Customer Feedback

UHCL, UHD, and UHV do not have a customer survey to obtain continuous feedback from customers regarding the purchasing process. On a bi-annual basis, UHD Purchasing sends out surveys related to the study abroad program, the p-card program, and the purchasing website.

A customer satisfaction survey was distributed to various college and division business administrators at each university to obtain feedback regarding the services provided by the purchasing departments. The questions focused on promptness and courteousness; clarity of communications; training and guidance; satisfaction with the review and award process; and satisfaction with how requisitions and purchase orders are handled. The results of this survey were positive and indicated that individuals at each university were satisfied with the purchasing process.

**Recommendation:** UHCL, UHD and UHV should develop a customer survey to obtain ongoing feedback from customers related to efficiency and effectiveness of the purchasing process.

**Management's Response (UHCL):** UHCL will develop customer survey to obtain ongoing feedback from customers and stakeholders related to procurement process efficiency and effectiveness by February 28, 2020. The survey data will assist in the opportunity at hand to reform processes to further contain costs, improve efficiency, provide additional training, and boost productivity affecting every aspect of campus operations.

**Management's Response (UHD):** UHD Purchasing will create a customer satisfaction survey in order to obtain feedback from UHD personnel. The survey will be added to the Purchasing website and sent via email twice annually. In addition, a separate question regarding customer satisfaction will be added to each of the current surveys (relating to Study Abroad, P-card Program and Purchasing Website). To be implemented by February 28, 2020.

**Management's Response (UHV):** UHV Purchasing will develop a customer service survey with a link to be included in the signature block for emails from purchasing staff. This will enable us to obtain ongoing feedback on the efficiency and effectiveness of our purchasing process. This will be completed May 31, 2020.

#### Goals and Objectives

The purpose of the purchasing department at UHCL, UHD, and UHV is to achieve the best value in quality, delivery and cost. Each purchasing department serves their university through a similar purpose, however, the establishment of goals, objectives, and performance measures (e.g. cycle times, customer satisfaction, cost savings, continuous improvement, etc.) vary by university. During our review of the goals and objectives of each university, we noted the following.

- UHCL does not have goals or objectives. Quarterly, the department reviews metrics such as the number of purchase orders, bids based on dollar threshold, Historically Underutilized Business (HUB) outreach events, purchasing workshops, and percentage of purchases made with HUBs.
- UHD has a goal to process requisitions within two business days; however, the number of processing days for each requisition is not tracked.
- UHV annually develops and measures goals for the use of HUBs based on the purchasing category.

**Recommendation:** UHCL, UHD, and UHV should develop goals, objectives, and performance indicators related to purchasing, as appropriate, and measure their achievement periodically.

**Management's Response (UHCL):** UHCL will have a balanced scorecard, a performance measurement system (Tier 2 level), that will include the perspectives, objectives, strategy mapping, performance measures, targets and initiatives by October 31, 2020.

**Management's Response (UHD):** Goals, objectives and performance indicators of UHD Purchasing will be expanded to include (1) requisition process cycle time, (2) customer satisfaction and (3) progress made in achieving HUB goals. Requisition processing time will be tracked through PeopleSoft. HUB utilization reports by department will be distributed quarterly. To be implemented by September 30, 2020.

**Management's Response (UHV):** In FY19, UHV Finance implemented an assessment of P-card transactions for compliance with policies and procedures. In addition, UHV purchasing will develop goals, objectives, and performance indicators related to purchasing efficiency and effectiveness. This will be completed by June 30, 2020.

**University of Houston System  
Internal Auditing Department**

**UHCL, UHD, and UHV Purchasing - AR2020-07  
Action Plan**

<b>Est. Compl. Date</b>	<b>Responsibility for Action Name/Title</b>	<b>Action To Be Taken</b>
<b>Risk Level:    High    Medium    Low</b>		
February 28, 2020	Debra Carpenter UHCL Executive Director Auxiliary and Procurement	Implement a customer satisfaction survey to evaluate and enhance the efficiency and effectiveness of purchasing processes.
February 28, 2020	Theresa Meneley UHD Executive Director Budget, Procurement, & Contracts	Implement a customer satisfaction survey to obtain feedback on the purchasing process.
May 31, 2020	Shawn Clark UHCL Manager Purchasing	Implement a customer satisfaction survey to obtain feedback on the efficiency and effectiveness of purchasing processes.
October 31, 2020	Debra Carpenter UHCL Executive Director Auxiliary and Procurement	Develop a balanced scorecard including perspectives, objectives, strategy mapping, performance measures, targets, and initiatives.
September 30, 2020	Theresa Meneley UHD Executive Director Budget, Procurement, & Contracts	Expand goals, objectives, and performance indicators to include requisition processing cycle times, customer satisfaction, and achievement of HUB goals.
June 30, 2020	Shawn Clark UHCL Manager Purchasing	Develop goals, objectives, and performance indicators.

**Note:** Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.