

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM

CONSTRUCTION AND OTHER CONTRACTS
REQUIRING BOARD OF REGENTS
APPROVAL

Activity from July 1, 2020 to
September 30, 2020

REPORT NO. AR2021-01



UNIVERSITY OF HOUSTON SYSTEM
Internal Auditing Department
Houston, Texas 77204-0930
(713)743-8000
Fax: (713)743-8015

MEMORANDUM

TO: Mr. Jack B. Moore
Chair, Audit and Compliance Committee

Dr. Renu Khator
Chancellor/President, UHS/UH

FROM: Phillip W. Hurd
Chief Audit and Compliance Executive

DATE: November 13, 2020

SUBJ: Internal Audit Report – Construction and Other Contracts Requiring Board of Regents Approval

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:

The internal audit review of procurement of construction and other contracts requiring Board of Regents approval covers the time period from July 1, 2020 through September 30, 2020. For each project, we review the following: 1. the solicitation documents posted on the State Comptroller's Electronic State Business Daily, the solicitation requirements checklist, subcontracting probability form, and the HUB subcontracting compliance form to determine whether the appropriate evaluation criteria was used by the Purchasing Department/selection team evaluation members; 2. the Purchasing Department's compilation of the selection team members' rankings of RFQ / RFP for clerical accuracy and agreement of evaluation criteria to RFQ / RFP and evaluation criteria provided to selected firms in instances where RFP's were not applicable; 3. the Purchasing Department's recommendation of RFQ / RFP evaluations to the VC/VP for reasonableness; 4. the VC/VP evaluation of the Purchasing Department's recommendation of RFQ / RFP for reasonableness; 5. the invitation to bid or sole source justification form, if applicable, for reasonableness/completion. We noted no unusual items or other matters that we considered non-compliant with university policies and procedures or state statutes.

This audit report is scheduled to be included in the agenda materials for the December 3, 2020 meeting of the Audit and Compliance Committee of the Board of Regents. Please let me know if you have any questions.

Attachments

University of Houston System
Internal Auditing Department
Construction and Other Contracts Requiring Board of Regents Approval
July 1, 2020 through September 30, 2020

Background: UHS procures construction services under the provisions of the Texas Education Code, Sections 51.778 – 51.785. These statutes address the following construction contract methods: Design-Build, Construction Manager-Agent, Construction Manager-At-Risk, Construction Services through Competitive Sealed Proposals and Job Order Contracts. The UHS Facilities, Planning and Construction Department and the Purchasing Department have developed policies and procedures to help ensure compliance with these statutes. For major construction projects, UHS primarily uses the Design-Build and Construction Manager-At-Risk contract methods. The Internal Auditing Department reviews the construction RFQ / RFP evaluation process on an ongoing basis. The Internal Audit Department also reviews the procurement process for other contracts requiring Board of Regents approval (RFQ/RFP, Invitation to Bid, and Sole Source).

Objective: The objectives of this review are to determine whether UHS is complying with its policies and procedures and the Texas Education Code in selecting its contractors for its major construction projects and other contracts requiring Board of Regents approval.

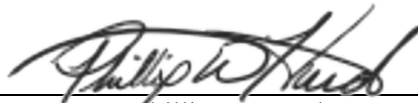
Scope of Work: The internal audit review of procurement of construction and other contracts requiring Board of Regents approval covers the time period from July 1, 2020 through September 30, 2020.

Audit Procedures: For each solicitation we review the following:

1. The solicitation documents posted on the State Comptroller's Electronic State Business Daily and the solicitation requirements checklist and subcontracting probability form and HUB subcontracting compliance form to determine whether the appropriate evaluation criteria was used by the Purchasing Department/selection team evaluation members.
2. The Purchasing Department's compilation of the selection team members' rankings of RFQ / RFP for clerical accuracy and agreement of evaluation criteria to RFQ / RFP and evaluation criteria provided to selected firms in instances where RFP's were not applicable.
3. The Purchasing Department's recommendation of RFQ / RFP evaluations to the VC/VP for reasonableness.
4. The VC/VP evaluation of the Purchasing Department's recommendation of RFQ / RFP for reasonableness.
5. The invitation to bid or sole source justification form, if applicable, for reasonableness/completion.

Appendices: Attached is an analysis of internal audit activity related to the construction projects and other contracts requiring Board of Regents approval award evaluations (Appendix 1), the Purchasing Department Flowchart for major construction projects (Appendix 2), the Purchasing Department Flowchart for other contracts requiring board approval (Appendix 3).

Conclusion: We noted a conflict of interest on one project. Raymond Bartlett was a committee member and the final approver of the project. This matter was resolved by removing his scores from the Evaluation Summary.



Phillip W. Hurd
Chief Audit and Compliance Executive
September 30, 2020

UHS Construction and Other Contracts Requiring Board of Regents Approval
Internal Audit Activity
July 1, 2020 to September 30, 2020

BOR Approval Internal Audit Review

BOR Approval

<u>Project or Contract Description</u>	<u>Solicitation Type</u>	(\$ Millions) <u>Amount</u>	<u>BOR Approval</u>		<u>Initiated</u>	<u>Completed</u>
			FCMP Comm. (Scope) <u>Date</u>	F&A Comm. (Financing) <u>Date</u>		
<u>Construction Projects \$10 Million and Over</u>						
UHV - Student Center and Learning Commons - FE	ITB	1.3	11/19/2015	11/19/2015		
UHV - STEM Building - FE	ITB	1.0	5/19/2016	5/19/2016		
UH - John M. O'Quinn Law Building - FE	ITB	1.5	8/22/2019	8/22/2019		
UHV - Health and Wellness Center - AE	RFQ	2.0	8/10/2020	8/10/2020		
UHV - Health and Wellness Center - CMAR	RFP	16.0	8/10/2020	8/10/2020		
UH - Science, Engineering, & Research HVAC Upgrades and Roof Replacement - AE	RFQ	1.1	8/10/2020	8/10/2020		
UH - Science, Engineering, & Research HVAC Upgrades and Roof Replacement - CMAR	RFP	10.6	8/10/2020	8/10/2020		
<u>Construction Projects Over \$1 Million and Under \$10 Million</u>						
UHS - Road/Parking Maintenance (up to 3 awards at 2.5M/each)	RFP	2.5	N/A	2/28/2019		
UHCL - Exterior Wayfinding Signage	RFP	1.6	N/A	8/22/2019	✓	✓
UH - Advancing Community Engagement and Services Institute (TW-ACE)	ITB	2.2	N/A	8/20/2020	✓	✓
UH - Student Health Building (HR Renovation)	RFP	2.3	N/A	8/10/2020		
UH - Lighting & Security Upgrades	RFP	3.8	N/A	8/10/2020		
UH - General Services Roof Replacement	RFP	4.5	N/A	8/10/2020		
UH - Multiple Fire Alarm Upgrades	SS	2.2	N/A	8/10/2020		
<u>Non-Construction Contracts Over \$1 Million</u>						
UH - Housing Access Control	RFP	4.0	N/A	2/27/2020		
UHD - Campus Elevator Maintenance and Modernization	RFP	2.3	N/A	2/27/2020		
UHS - Investments Consulting Services	RFP	2.9	N/A	2/27/2020	✓	✓
UH - Library Subscription Services	RFP	33.0	N/A	5/21/2020	✓	✓
UH - Athletics Production Services	RFP	2.0	N/A	5/21/2020	✓	✓
UH - Ambulatory Surgical Center	RFP	8.4	N/A	5/21/2020		
UHS - Trademark Licensing Agency	RFP	4.1	N/A	8/20/2020	✓	
UH - ATS Replacement	RFP	2.3	N/A	8/10/2020	✓	✓

CMAR - Construction Manager at Risk

AE - Architectural and Engineering Services (RFQ only)

SS - Sole Source

ITB - Invitation to Bid

✓ - Initiated or Completed audit procedures, as specified in report.

RFP - Request for Proposal

RFQ - Request for Qualifications

FE - Furnishings and Equipment

University of Houston System Construction Projects \$10 Million or More and Construction Contracts Over \$1 Million

