UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM

CONSTRUCTION AND OTHER CONTRACTS REQUIRING BOARD OF REGENTS APPROVAL

Activity from July 1, 2017 to
September 30, 2017

REPORT NO. AR2018-02

UNIVERSITY OF HOUSTON SYSTEM
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MEMORANDUM

TO: Mr. Roger F. Welder
Chair, Audit and Compliance Committee

Dr. Renu Khator
Chancellor/President, UHS/UH

FROM: Don F. Guyton
Chief Audit Executive

DATE: October 30, 2017

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, 2017, to September 30, 2017. 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 November 16, 2017, 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, 2017 through September 30, 2017

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, 2017, through September 30, 2017.

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 no unusual items or other matters that we considered non-compliant with university policies and procedures or state statutes.

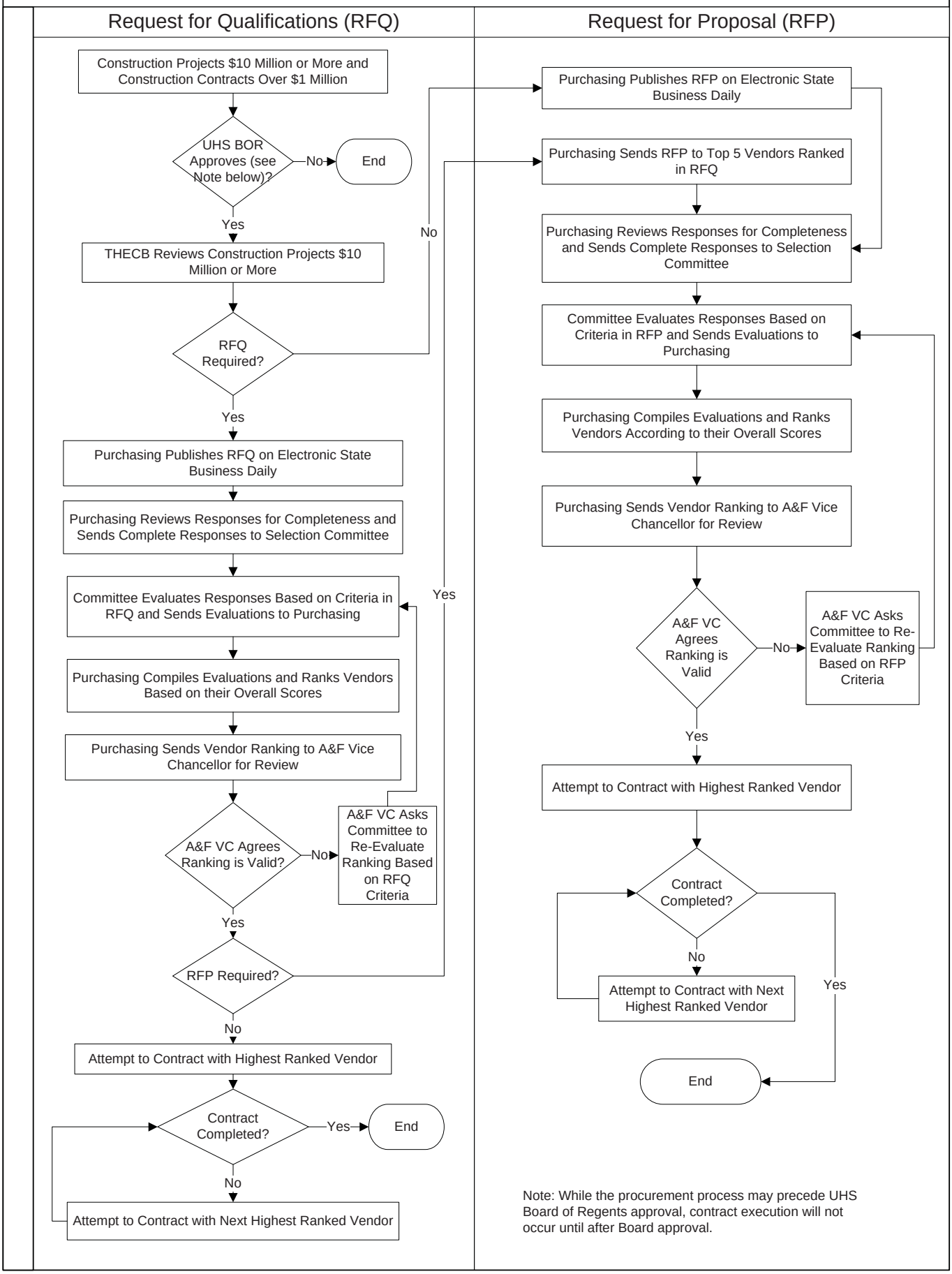
Don F. Guyton
Chief Audit Executive
October 9, 2017

UHS Construction and Other Contracts Requiring Board of Regents Approval
Internal Audit Activity
July 1, 2017 to September 30, 2017

Project or Contract Description	Solicitation Type	($ Millions) Amount	BOR Approval: FCMP Comm. (Scope) Date	BOR Approval: F&A Comm. (Financing) Date	Internal Audit Review: Initiated	Internal Audit Review: Completed
Construction Projects $10 Million and Over						
UHCL - Pearland Health Sciences and Classroom Bldg - FE	ITB	1.0	11/19/2015	11/19/2015		
UHCL - Recreation and Wellness Center - FE	ITB	1.6	11/19/2015	11/19/2015		
UH Sugar Land - Academic Classroom Building - FE	ITB	2.2	2/18/2016	2/18/2016		
UHV - Student Center and Learning Commons - FE	ITB	1.3	11/19/2015	11/19/2015		
UHV - STEM Building - FE	ITB	1.0	2/18/2016	2/18/2016		
UH - Quadrangle Housing Replacement - AE	RFQ	5.5	5/19/2016	8/24/2017		
UH - Quadrangle Housing Replacement - FE	ITB	5.3	5/19/2016	8/24/2017		
UHD - Science and Technology Building - FE	ITB	2.7	8/25/2016	8/25/2016		
UHS - Katy Academic Building - FE	ITB	1.6	8/25/2016	8/25/2016		
UH - UH Job Order Contracts (5 contracts @ $10M ea.)	RFP	50.0	12/1/2016	12/1/2016	✔	✔
UH - Parking Garage #5 - CMAR	RFQ/RFP	46.4	2/23/2017	2/23/2017	✔	✔
Construction Projects Over $1 Million and Under $10 Million						
UH - Tennis Complex	RFP	1.8	N/A	2/18/2016		
UH - Repairs to Cullen Fountain	RFP	1.9	N/A	2/18/2016		
UH - Indoor Air Quality Control Update to Architecture Building	RFP	1.2	N/A	2/18/2016		
UH - Agnes Arnold Hall Sprinklers	RFP	1.8	N/A	2/18/2016		
UH - Build-Out of University North Shell Space	RFP	6.0	N/A	2/18/2016		
UH - On-Call Electrical Repair Services	RFP	1.5	N/A	5/19/2016		
UH - Mechanical, Electrical, and Plumbing (MEP) Engineering Design Services - (3 contracts)	RFP	4.5	N/A	8/25/2016		
UH - Design Services for Repairs to Science and Engineering Research Center	RFQ	1.1	N/A	8/25/2016		
UH - Central Energy Plant Chiller Replacement	ITB	1.5	N/A	12/1/2016		
UH - Agnes Arnold Hall Sprinkler Project	RFP	6.1	N/A	12/1/2016		
UH - Architectural/Engineering Services (Contuning Service Agreement)	RFQ	1.5	N/A	12/1/2016		
UH - Quad Housing Project - Contract Increase for Additional Architectural Services	RFQ	5.5	N/A	12/1/2016		
UH - Third Ward Advancing Community Engagement Institute (TW-ACE) Construction Contract	RFP	1.4	N/A	5/18/2016		
UH - Commissioning Services CSA (3 contracts)	RFQ	4.5	N/A	5/18/2016	✔	
UH - Disaster Restoration and Emergency Recovery Service Agreement	RFP	10.0	N/A	5/18/2016		
UH - Continuing Services Agreement (CSA) for Architectural Services - (3 contracts)	RFQ	7.5	N/A	8/24/2017	✔	✔
UH - Continuing Services Agreement (CSA) for Testing Adjusting and Balancing Services - (2 contracts)	RFQ	5.0	N/A	8/24/2017		
UH - Generator Replacement Contract	ITB	4.0	N/A	8/24/2017		
Non-Construction Contracts Over $1 Million						
UHS - Property , Directors & Officers / Employment Practices / Educators Legal Liability and Automobile Insurance	SS	6.0	N/A	2/18/2016		
UH - Energy Policy Act Coordinator 179D Tax Credit	RFP	10.0	N/A	5/19/2016		
UH - Facility Supplies Contract	RFP	22.0	N/A	5/19/2016		
UHS - Natural gas Contract	RFP	11.0	N/A	8/25/2016		
UH - Research Compliance Software Implementation	RFP	1.1	N/A	8/25/2016		
UHD - PeopleSoft Campus Solutions Implementation	RFP	1.2	N/A	8/25/2016		
UH - NPR Programming Fees	SS	1.3	N/A	8/25/2016		
UH - PBS Programming Fees	SS	2.2	N/A	8/25/2016		
UHCL - Marketing and Advertising	RFP	1.2	N/A	12/1/2016		
UH - Pharmacy Student Field Training	SS	4.5	N/A	12/1/2016		
UH - Digital Library Service	SS	1.0	N/A	12/1/2016		
UH - Grants Software Implementation Extension	RFP	1.4	N/A	12/1/2016		
UHS - Parking Guidance System	RFP	6.8	N/A	8/24/2017	✔	
UHS - Parking Management Services	RFP	5.0	N/A	8/24/2017	✔	
UHS - Campus Card System	RFP	1.1	N/A	8/24/2017		
UH - Ambulatory Surgery Center Management	RFP	7.5	N/A	8/24/2017	✔	✔
UH - Revenue Cycle Management	RFP	2.7	N/A	8/24/2017	✔	✔
UH - KUHF / KUHT Leased Tower Space	RFP	3.8	N/A	8/24/2017	✔	✔
UH - NPR Programming Fees	SS	1.3	N/A	8/24/2017		
UH - PBS Programming Fees	SS	2.0	N/A	8/24/2017		
UHD - Electronic Library Resources	SS	3.7	N/A	8/24/2017		
UH - Cougar Card Systen	RFP	1.0	N/A	8/24/2017	✔	

CMAR - Construction Manager at Risk
AE - Architectural and Engineering Services (RFQ only)
SS - Sole Source
ITB - Invitation to Bid
RFP - Request for Proposal
RFQ - Request for Qualifications
FE - Furnishings and Equipment
✔ - Initiated or Completed audit procedures, as specified in report.

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



Note: While the procurement process may precede UHS Board of Regents approval, contract execution will not occur until after Board approval.

Appendix 3

University of Houston System Non-Construction Contracts Over $1 Million

