



**THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE**  
**Group Purchasing Organization Control Validation**  
**DIR Cooperative Contracts Program**  
**Fiscal Year 2020**

# SUMMARY

## OBJECTIVE

The Texas Department of Information Resources (DIR) Cooperative Contracts Program is an accredited Group Purchasing Organization (GPO) under the University of Texas (UT) System Accreditation Program for Texas State Agencies and GPOs. Accreditation of DIR was granted based on information provided in its application, submitted on May 13, 2016. At that time, the System Audit Office performed an assessment of the material collected to determine whether internal control procedures, as represented in the application, would meet minimum control standards if consistently applied. The minimum control standards include the requirements of both Texas and UT System procurement rules, such as open and competitive bidding, “Best Value” evaluation and award criteria, inclusion of opportunity for historically underutilized businesses, and post-award contract management. The objective of this audit was to validate that control practices are functioning as described to us during the accreditation process.

## CONCLUSION

Sourcing and contract management controls, as communicated to us during the accreditation process, are in place and working as intended. Communication of these results to DIR is included as Appendix A.

## OBSERVATIONS

We did not identify any control weaknesses or opportunities for improvement for implementation by DIR. However, there are two observations noted to ensure institution procurement officers fully understand “best value” practices remain the responsibility of the institution rather than the GPO.

❖	DIR primarily awards contracts to multiple suppliers when it issues a request for offers for goods or services. Consequently, each UT institution is responsible for identifying the available contracts for specific commodity items or services by searching DIR’s electronic contract catalog or other sources to ensure multiple quotes are obtained if required to meet “best value” criteria. In addition, some of DIR’s contracts are also offered by other GPOs participating in the GPO Accreditation Program. This does not represent a weakness in the GPO’s sourcing and contract management controls; however, as we have advised in prior years, management may wish to advise UT Chief Procurement Officers of this observation and implement a mechanism to compare all available contracts for goods and services across the accredited GPOs so that institutions have sufficient comparative information to ensure best value is attained.
❖	DIR does not perform traditional vendor performance monitoring of its cooperative contracts. The UT Chief Procurement Officers should be aware that the GPO performs a limited review during the contract renewal process, including reporting to DIR, website compliance, sales metrics, and various status checks (e.g., CPA vendor performance grade, EDGAR certification, SAMs, disbarment, etc.). However, DIR does not perform benchmarking/cost avoidance as a part of its contract management procedures and does not monitor any terms or conditions negotiated by the customer. In addition, DIR may not be aware of customer complaints/disputes because generally customers work directly with the vendor. This approach was communicated in its initial application and does not represent a weakness in the GPO’s contract management controls.



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# METHODOLOGY

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## SCOPE AND PROCEDURES

The scope included DIR contracts that have had UT spend (all 14 institutions and System Administration) from June 1, 2019 to May 31, 2020. The audit team interviewed key sourcing and contract management personnel, reviewed applicable contracting documentation, and tested a sample of six (6) DIR contracts used by UT System institutions.

This engagement was conducted in accordance with the guidelines set forth in The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

## REPORT DATE

August 28, 2020

## REPORT DISTRIBUTION

Scott Kelley, Ed.D., Executive Vice Chancellor for Business Affairs  
Richard St. Onge, Associate Vice President, Office of Collaborative Business Services  
UT System Administration Internal Audit Committee  
Texas Governor's Office  
Texas Legislative Budget Board  
Texas State Auditor's Office



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# APPENDIX A



THE UNIVERSITY OF TEXAS SYSTEM  
FOURTEEN INSTITUTIONS. UNLIMITED POSSIBILITIES.

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August 26, 2020

Hershel Becker  
Chief Procurement Officer  
Texas Department of Information Resources  
300 West 15<sup>th</sup> Street, Suite 1300  
Austin, Texas 78711

Dear Mr. Becker,

The University of Texas ("UT") System Audit Office has completed an audit of the Texas Department of Information Resources (DIR) Cooperative Contracts Program's control practices related to sourcing and management of contracts offered through its cooperative purchasing program to UT System institutions. This audit was conducted as part of the UT System Accreditation Program for Texas State Agencies and Group Purchasing Organizations ("GPO Accreditation Program").

Accreditation of DIR was granted based on information provided in its application, submitted on May 13, 2016. At that time, my office performed an assessment of the material collected to determine whether internal control procedures, as represented in the application, would meet minimum control standards if consistently applied. The minimum control standards include the requirements of both Texas and UT System procurement rules, such as open and competitive bidding, "Best Value" evaluation and award criteria, inclusion of opportunity for historically underutilized businesses, and post-award contract management. The objective of this audit was to validate that control practices are functioning as described to us during the accreditation process.

Based on interviews with staff, review of applicable documentation, and testing of a sample of DIR contracts used by UT System institutions, sourcing and contract management controls, as communicated to us during the accreditation process, are in place and working as intended. We will communicate these results separately to UT System management of the GPO Accreditation Program.

Thank you for your assistance during this audit. Your courtesy towards the audit team during this engagement was appreciated. If you have any questions, please do not hesitate to contact me or Dyan Hudson at 512-499-4283.

Sincerely,

J. Michael Peppers, CPA, CIA, QIAL, CRMA  
Chief Audit Executive

cc: Scott C. Kelley, Ed.D., Executive Vice Chancellor for Business Affairs  
Richard St. Onge, Associate Vice President, Office of Collaborative Business Services