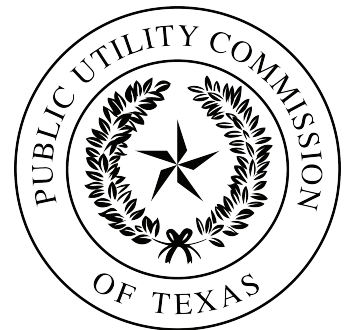


An Internal Audit Report On

# Public Utility Commission's **Contract Procurement Process**



**Internal Audit Division**  
Public Utility Commission of Texas

## ***Executive Summary***

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The Contract Oversight and Fund Management (Contract) division has processes and related controls in place to ensure the procurement process is conducted in accordance with applicable requirements. However, the division should strengthen its procedures and include steps to formally complete required risk assessments. The audit noted insignificant, isolated concerns during testing that were discussed directly with Contract division management. The concerns did not impact the procurement process. Improvements and updates to the agencies contracting policies and procedures will further improve the procurement process and contribute to the overall continuity of the contracting process at the Public Utility Commission of Texas.

The audit looked at the procurement files for 22 contracts in place from 2018-2020. The division successfully navigates the procurement process and should continue to improve the following requirements.

- Accountability and Risk Analysis Procedures. The division does not perform a formal risk analysis for potential contracts.
- Contract Management Handbook. Although the division does have a Contract Management Handbook, it is outdated and not used consistently.

### **Summary of Audit Objectives, Scope, and Methodology**

The audit objective was to determine whether the Contract division has processes and related controls to help ensure the procurement process is conducted in accordance with applicable requirements. The scope of this audit included contracts in place from September 1, 2018 through May 2020. The audit methodology included a review of applicable laws, statutes, and division policy and procedures. It also included a review of Intellect, the contracting database used to manage all contracts.

## ***Detailed Results***

### ***The Division Should Include a Risk Analysis for all Potential Contracts***

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The division is required to perform a risk analysis for all potential contracts. There was no formal risk analysis process identified for any of the contracts reviewed.

#### **Recommendation**

The Contract division personnel should update the division's policies and procedures to ensure all requirements are satisfied, specifically those found in Texas Government Code Chapter 2261.256 titled "Accountability and Risk Analysis Procedure; Contract Management Handbook". The risk analysis should be completed prior to creating the contract. Based on the risk level identified, the Contract division should develop a detailed statement of work with performance measures to mitigate the identified risks. Additional resources for creating a risk analysis can be found in the Comptroller's "Procurement and Contracting Management Guide".

#### ***Response from Contract Division***

*Concur. The Contracting division will develop a risk analysis for all potential contracts within three months.*

# Appendix

## Objectives, Scope, and Methodology

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### Objective

To determine whether the Contracting division has processes and related controls to help ensure the procurement process is conducted in accordance with applicable requirements.

### Scope

The scope of this audit included contracts in place from September 1, 2018 through May 2020.

### Methodology

The audit methodology included a review of applicable laws, statutes, and division policy and procedures. It also included a review of the contract database (Intellect), interviews, and a review of supporting documentation maintained within the division.

### Sampling Methodology

Sampling was done using nonstatistical samples from all available medians of data collection used for contracting purposes. The samples were used to determine if controls were operating effectively.

Information collected and reviewed includes:

- Contracts maintained in the database
- Bid evaluation sheets
- Supporting documentation maintained within the division's contracting folder system.

### Testing

Testing included the following:

- Interviewed staff responsible for contract management.
- Tested source documentation and completed contracts to determine if data was accurate and reliable.
- Tested requirements found in statute and the State Comptroller's Procurement and Contracting Management Guide.

The criteria used during the audit was:

- Texas Government Code Chapter 2261-State Contracting Standards and Oversight
- Texas Procurement and Contract Management Guide, version 1.3, published by the Statewide Procurement Division- State Comptroller of Public Accounts

- The Public Utility Commission's Contract Management Handbook

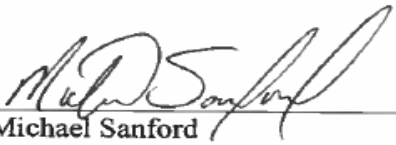
## **Project Information**

Audit fieldwork was conducted from June 2020 through July 2020. This was a performance audit conducted in accordance with Generally Accepted Government Auditing Standards. Internal Audit believes that the evidence obtained provides a reasonable basis for the conclusions based on the audit objectives.

PUBLIC UTILITY COMMISSION OF TEXAS

Internal Audit Project #2020-300

August 2020

  
**Michael Sanford**  
Internal Auditor, Public Utility Commission

This report has been provided to the following:

Mr. John Paul Urban, Executive Director, Public Utility Commission  
Ms. DeAnn Walker, Chairman, Public Utility Commission  
Mr. Arthur D'Andrea, Commissioner, Public Utility Commission  
Ms. Shelly Botkin, Commissioner, Public Utility Commission

Other appropriate PUC management and posted on the agency intranet.

Copies of this report have been distributed to the following in accordance with Government Code §2102.0091:

Office of the Governor  
Ms. Sarah Hicks  
Budget, Planning and Policy  
Insurance Building, Suite 400.200  
Austin, TX 78701

Legislative Budget Board  
Mr. Christopher Mattsson  
1501 N. Congress Ave., Suite 5.224  
Austin, TX 78701

State Auditor's Office  
Internal Audit Coordinator  
Robert E. Johnson Bldg., Suite 4.224  
1501 N. Congress Avenue  
Austin, TX 78701