



Purchasing Accountability and Risk Analysis Procedure

Texas Government Code 2261.256 states that each state agency shall develop and comply with a purchasing accountability and risk analysis procedure. The procedure must provide for the following three objectives:

Objective 1: Assess the risk of fraud, abuse, or waste in the contractor selection process, contract provisions, and payment and reimbursement rates and methods for the different types of goods and services for which The Texas A&M University System contracts.

- a. Contractor selection process. The purchase of goods and/or services typically will be awarded to the lowest responsive bidder; however, best value criteria may also be considered as allowed pursuant to Texas Education Code, 51.9335.
- b. Contract provisions. Section 9.B.c of the TAMUS Contract Management Handbook and section C of the TAMUS Contract Review Checklist outline provisions that should be included within Texas A&M University System member contracts.
- c. Payment and reimbursement rates and methods for different types of goods and services. Payment should be consistent with the product or service delivered, and structured to fairly compensate the contractor and encourage timely performance. Payment should reflect the value of the work performed. Members can control the payment process by dividing overall payment into smaller amounts to reflect increments of work or deliverables. By doing so, you can mitigate financial risk and limit the scope of a dispute to a discrete deliverable. Section 14.D. of the TAMUS Contract Management Handbook lists example payment types used for different types of goods and services.

Objective 2: Identify contracts that require enhanced contract monitoring or the immediate attention of contract management staff.

- a. Enhanced contract monitoring. The purpose of enhanced monitoring is to identify potential issues and risks in the contract and either mitigate or avoid the risk completely. System members shall take these issues into account when determining which contracts will require enhanced monitoring.

For contracts that have been identified as requiring enhanced monitoring, each member shall establish a procedure to notify their respective CFO and CEO as applicable. This notification may be done using the Contract Reporting Form (attached).

If appropriate or required, the A&M System CFO shall be notified and will work with the Chancellors Office and the Office of General Counsel to assure the Board of Regents is aware of all high risk contracts and any serious issues that arise during performance of the contract.

Below is a list of contracts that may require enhanced monitoring:

- Outsourcing agreements
- Construction contracts (multi-trades)
- Contracts over \$1,000,000



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- Agreements that require progress payments based on performance
- Agreements that extend beyond five years
- Agreements where a vendor is failing to meet their obligations

In addition to the list above each member may establish additional parameters or types of contracts that require enhanced monitoring.

Additional information on contract monitoring can be found in Section 10.D. of the TAMUS Contract Management Handbook.

- b. Contract Management review. The TAMUS Contract Management Handbook, Section 10, outlines the responsibilities of the Contract Manager. This includes review of solicitation documents as well as review and approval of the terms and conditions of the proposed contract. These responsibilities apply to all contracts, including those that require enhanced monitoring.

Objective 3: Establish clear levels of purchasing accountability and staff responsibilities related to purchasing.

- a. System Office Policy 25.07 – Contract Administration states that authority to enter into contracts on behalf of the system or any of its members must be by express written authority pursuant to the policies of the board and approved contract administration rules of the system. <http://policies.tamus.edu/25-07.pdf>
- b. System Office Regulation 25.07.01 – Contract Administration, Delegations and Reporting specifies contract administration practices and review procedures, and contract delegation and reporting requirements authorized by System Policy 25.07, Contract Administration, and the process for administering, reporting, and delegating approval authority for all contracts entered into by a member. Each member must prepare A Delegation of Authority for Contract Administration in the format developed and distributed by the System Office of Budgets and Accounting in conjunction with the Office of General Counsel. <http://policies.tamus.edu/25-07-01.pdf>
- c. System Office Regulation 25.07.03 – Acquisition of Goods and/or Services sets out the guidelines that allows for the procurement of goods and/or services according to sound business practices and best value. Each member shall promulgate standard operating procedures as necessary to facilitate and expedite the acquisition of goods and/or services. <http://policies.tamus.edu/25-07-03.pdf>