



Office of the  
Washington  
State Auditor  
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# PERFORMANCE AUDIT

## Report Highlights

# University of Washington's Procurement Contracts:

## Approving, tracking and reporting

The University of Washington (UW) spent more than \$1.6 billion for goods and services in fiscal year 2020. To support its complex operations, two offices help university employees with procuring goods and services—Procurement Services and UW Medicine Supply Chain. These two offices must approve all purchases for goods and services more than \$10,000, and a limited number of employees within these offices have the authority to sign contracts more than this amount. A contract is considered unauthorized when an employee makes a purchase of more than \$10,000 without prior approval from either of these offices.

The Legislature passed a bill in 2019 that required the State Auditor's Office to conduct a performance audit examining UW's contract management practices, including contract tracking and reporting. This audit examined whether UW employees signed unauthorized contracts, and whether UW can make information about its procurement contracts more transparent and accessible to the public.

### Though unauthorized contracts for goods and services are rare, UW could improve how it tracks and prevents them

Less than 1 percent of the 3,400 contracts that Procurement Services managed in 2020 were unauthorized. Unauthorized contracts at UW Medicine Supply Chain also appear to be rare, but because it does not track unauthorized contracts, it is unclear how often they actually happen. Both procurement offices have gaps in how they prevent, track and respond to unauthorized contracts. For example, while Procurement Services tracks unauthorized contracts, it does not collect the information it needs to understand why they happen. Additionally, UW Medicine Supply Chain has not developed a way to track unauthorized contracts or gather the information it needs to understand why they happen. Unlike UW, other universities respond to unauthorized contracts with corrective action plans to prevent them from happening again.

## UW could be more transparent by providing complete and accessible contract information to the public

State law requires all state agencies, including UW, to report their contracts for goods and services annually to increase transparency. The public does not have all of the information about UW's procurement activity because UW did not report all of its contracts to the Department of Enterprise Services (DES). For example, Procurement Services does not report all of its contracts to DES because it misinterpreted DES policy. Additionally, UW Medicine Supply Chain reported all but a few of its contracts.

Both offices rely on manual processes that are subject to human error with the result that some contracts have been left out of the annual report. UW also does not provide specific details or spending information about its contracts on its website. However, UW is implementing a new financial system that may improve how it publicly reports information about its contracts.

## State Auditor's Conclusions

This legislatively required audit examined two aspects of the University of Washington's contracting practices—whether employees executed contracts in accordance with UW's procurement processes, and how transparent UW is about its contracting activities.

We found that unauthorized contracts that do not receive proper approval appear to be rare, but we also found an area where the university can make improvements. We recommend both procurement offices within UW collect and track more information about the unauthorized contracts they do identify. This would help them determine why the processes weren't followed and limit the number of unauthorized contracts in the future.

In addition, we found UW could do more to make its contracting activities more transparent, including complete reporting to DES and publishing additional information on its own website. UW is implementing a new financial system, and we encourage the university to use that as an opportunity to address the issues raised in this audit.

## Recommendations

We made a series of recommendations to the Procurement Services and UW Medicine Supply Chain offices to address issues with preventing unauthorized contracts, including understanding why they happen. We also made recommendations to these offices about how to make contract information more transparent and accessible to the public.