

**FINANCE COUNCIL
DRAFT RECOMMENDATION
USE OF CONSULTANTS BY TEXAS A&M COMPONENT UNITS**

Although a formal analysis of consulting agreements entered into prior to 2006 was not conducted, the use of consultants by component units at Texas A&M University appears to be on the rise. At the request of the Finance Council, the Division of Finance prepared an analysis that identified 29 recent agreements/contracts with a total value of over \$5.25 million. All of these contracts have been executed since 2003, with a large majority of them executed in 2006. Further, it is clear that these do not represent the complete population of such contracts.

Consulting Services are not always easily distinguished from Professional Services but are defined as services that study an existing or proposed operation or project and provide advice to the university regarding the operation and project. Professional Services are defined as services within the scope of the practice of accounting, architecture, engineering, etc.

While it would not be appropriate, or even possible, to evaluate, on an *a priori* basis, the desirability of these contracts, we believe it is important to more carefully consider a number of factors prior to engaging consultants. Clearly, a number of situations suggest that engaging consultants is not only a reasonable course of action, but the most appropriate course of action. Just as clearly, in some situations, consultants may be conducting activities that could be provided more effectively and inexpensively in-house. Each individual situation is different, so a uniform policy regarding the process of engaging consultants is not appropriate. However, we believe that component units should consider the following factors when considering the possibility of engaging consultants:

- The unique level of knowledge and expertise possessed by the consultants compared to that possessed by university employees. It is simply not cost-beneficial for Texas A&M University to build expertise in many matters for which consultants can be engaged. However, care should be taken not to engage a consultant without considering the extent of in-house expertise.
- The extent to which similar services are provided by (1) consultants in general and (2) the specific consultant with whom the component is negotiating. Of most importance in this evaluation is the extent to which the consultant is providing similar services to other institutions of higher learning, particularly large state research universities.
- One advantage of engaging consultants is that they will frequently provide an independent assessment of the state of affairs and de-politicize the decision process.

While not related to the engagement of consultants, one limitation that was noted in compiling this information is the lack of a centralized source. With respect to future consulting arrangements, we recommend that all relevant terms of agreements be identified and maintained centrally. This will allow a longitudinal comparison to be made to evaluate the overall level of activity. In addition, it will allow for any future evaluation of risks associated with contacting activity.

System Regulation 25.99.03 Contracting for External Consultants and Professional Services, University Rule 25.99.02.M1 Purchasing Procedures, and University Rule 25.07.99.M1 Contract Administration, govern the contract administration program within Texas A&M University. In addition, there are specific state statutes and rules that regulate the engagement of consultants.

Any consulting services contract, which has a reasonably foreseeable value in excess of \$25,000, is required to obtain a finding by the President that the consulting services are necessary and provide an explanation of that finding. All of the contracts we reviewed met that standard.

The Division of Finance has determined that it is necessary to update University Rule 25.99.02.M1 Contract Administration. The updated university rule will formally establish a central repository for all contracts; encourage the development and use of standard contracts; enhance the consistency of the contract review process, and the use of commodity coding for accounting and payment purposes.