



Item: AC: I-1

AUDIT AND COMPLIANCE COMMITTEE
Tuesday, June 27, 2017

**SUBJECT: REVIEW OF AUDITS: FAU 16/17-4, AUDIT OF PURCHASING - BIDDING
FOR THE PERIOD JULY 1, 2016 THROUGH MARCH 31, 2017**

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

The primary objectives of this audit were to determine whether: 1) Bids and bidding policies and procedures were consistent with relevant laws, rules, and regulations; 2) Two or more competitive quotes were obtained for all purchases between \$12,500 and \$74,999 in accordance with applicable laws, rules, regulations, policies, and procedures, unless otherwise exempt or waived; and, 3) Purchases in excess of \$74,999 were supported by two or more formal bids in accordance with the Purchasing Department's policies and procedures, or applicable laws, rules, and regulations, unless otherwise exempt.

Overall, we concluded that the competitive solicitation and bidding function was being conducted in general compliance with all applicable laws, rules and regulations, and established University policies and procedures. There were no reportable findings or recommendations as a result of this audit.

Supporting Documentation:

Audit Report FAU 16/17-4

Presented by: Mr. Morley Barnett, Inspector General

Phone: 561-297-3682



Office of Inspector General

Purchasing - Bidding Audit
7/1/16 – 3/31/17

SCOPE AND OBJECTIVES

In accordance with the University's Internal Audit Plan for fiscal year 2016-17, we have conducted an audit of the University's policies, procedures and practices related to the purchasing - bidding function at Florida Atlantic University for the period July 1, 2016 through March 31, 2017. The primary objectives of this audit were to determine whether:

- Bids and bidding policies and procedures were consistent with relevant laws, rules, and regulations;
- Two or more competitive quotes were obtained for all purchases between \$12,500 and \$74,999 in accordance with applicable laws, rules, regulations, policies, and procedures, unless otherwise exempt or waived; and,
- Purchases in excess of \$74,999 were supported by two or more formal bids in accordance with the Purchasing Department's policies and procedures, or applicable laws, rules, and regulations, unless otherwise exempt.

Audit procedures included, but were not limited to, the evaluation of key internal controls as those controls related to the accomplishment of the foregoing audit objectives, as well as performance of compliance testing on judgmentally selected samples of purchase order transactions between \$12,500 and \$74,999 for competitive quotes; and, in excess of \$74,999 for formal bids, in order to determine whether control procedures related to the competitive quotes and bid processes were operating effectively.

We obtained an understanding of the activities pertaining to the bidding processes by interviewing key purchasing personnel, and reviewing applicable laws, rules, regulations, policies, and procedures pertaining to the administration of the bidding function at the University. Populations, sample sizes, and selection methods were determined based on our evaluation of internal controls, our assessment of audit risk, the availability of pertinent University records, and other factors including auditor judgment.

We conducted our audit in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

BACKGROUND

The Procurement Department, within the Controller's Office, is responsible for administering the purchasing function at the University and its direct-support organizations. Purchasing activity includes the acquisition of equipment, furnishings, construction services, maintenance services, professional services, contractual services, supplies, and the lease of space for the University within established budgetary constraints. Specialized procedures and practices have been put in place ensure that established procurement policies will be effective in controlling relatively large purchase transactions. These controls include requirements for formal quotations, developing bid proposals, conducting public bid openings, evaluating competitive solicitations, and negotiating and awarding contracts.

Currently, all commodities and services acquired through the central purchasing function are processed via the Workday Finance System based on electronic requisitions created by user departments. The requisitions are systematically routed to appropriate managers, and to purchasing agents who are responsible for verifying their accuracy before approval in Workday. Respective purchasing agents are required to ensure that all requisitions between \$12,500 and \$74,999 are supported by two quotes, unless otherwise exempt by regulation, state contract, consortium agreement, or otherwise waived at the discretion of the Procurement Director, Associate Director - Purchasing or Assistant Director - Purchasing.

Additionally, all requisitions over \$74,999 are required to undergo a formal bid process, unless otherwise exempt. Sole source and emergency acquisitions, as well as certain sponsored research purchases, are required to be supported by properly completed and approved exemption forms.

In those instances where formal bids are required, the competitive bidding process commences with the appropriate purchasing agent documenting the bid/proposal specifications on an *Invitation to Negotiate, Invitation to Bid, or Request for Proposal Form*. The bid/proposal forms are mailed to prospective vendors and electronically advertised to the public for at least 30 days. The bid proposals returned to the purchasing agent by the vendors are initially held unopened in a secure location until the opening date and time specified in the proposals. Following the public opening of all vendor bid proposals, a committee of at least three employees with knowledge of the bid transaction publicly meets, after a 72-hour notice, to evaluate the results of tabulated bids, make a recommendation for a shortlist of vendors, and prepare the University's initial negotiation position. The next administrative step in the process involves negotiation with select vendors which is exempt from public notice requirements in accordance with Florida Statue 286.0113(2) (a) *General Exemptions from Public Meetings*. When all bid negotiations and discussions with potential vendors are complete, a required 72-hour public notice is given prior to the evaluation committee holding a public meeting to deliberate the final offer. In accordance with BOG Regulation 18.001- *Purchasing Regulations*, FAU Regulation 6.008 - *Procurement*, and established practice, the final step in the bidding and awards process requires the evaluation committee chairperson to submit a final award recommendation memo to the appropriate purchasing agent who will post the notice of intent to award on the Procurement Department's website for 72 hours before the award decision becomes final.

During our audit, the purchasing function was staffed by eleven full-time employees and two part-time employees. Eight employees, including the Director and Associate Director, are based on the Boca Raton campus; four employees at the Harbor Branch Oceanographic Institute in Ft. Pierce; and, one employee at the Davie campus.

Procurement data for the audit period indicated purchase orders totaled \$28.5 million and \$69.6 million respectively for commodities and services which would have been subject to competitive quotes or the formal bidding process.

Prior Audit Recommendations

Our examination generally includes a follow-up on findings and recommendations of prior internal audits, where the subjects of such findings are applicable to the scope of the current audit.

Within the past three fiscal years, there have not been any internal audits of the purchasing - bidding function. Accordingly, a follow-up on prior audit recommendations is not applicable.

CONCLUSION

Based on our observations, examination of judgmentally-selected purchase orders subject to competitive quotes or formal bids, and interviews with key purchasing personnel, we are of the opinion that the evaluated purchasing - bidding function is being conducted in general compliance with all applicable laws, rules and regulations, and established University policies and procedures. There were no reportable findings or recommendations as a result of this audit.

We wish to thank Procurement Department personnel for their cooperation and assistance which contributed to the successful completion of this audit.



Morley Barnett, CPA, CFE
Inspector General

Audit Performed by: Ben Robbins, CPA (NC)

Use of Report

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