



Item: AFSP: I-1

**AUDIT AND FINANCE COMMITTEE/  
STRATEGIC PLANNING COMMITTEE  
JOINT COMMITTEE MEETING**

**Wednesday, December 16, 2009**

**SUBJECT: REVIEW OF AUDITS: REPORT NO. FAU 09/10-1, AUDIT OF PURCHASING  
FOR THE PERIOD JANUARY 1 THROUGH JUNE 30, 2009.**

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**PROPOSED COMMITTEE ACTION**

Information Only.

**BACKGROUND INFORMATION**

Audit objectives were to determine whether: 1) purchase requisitions were properly approved; 2) bids and bidding procedures were consistent with relevant laws, rules, and regulations; 3) purchase orders were properly prepared; and, 4) purchasing personnel were in compliance with state ethics standards designed to avoid conflicts of interest.

Overall, we concluded that purchasing operations were generally being conducted consistent with all applicable laws, rules and regulations, university policies and procedures, and sound business practices.

**IMPLEMENTATION PLAN/DATE**

Prior to the conclusion of our audit, we reviewed and were satisfied with administrative actions taken by management to address two documentation deficiencies - no further action is deemed necessary.

**FISCAL IMPLICATIONS**

Not Applicable.

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**Supporting Documentation:** Audit Report FAU 09/10-1.

**Presented by:** Mr. Morley Barnett, Inspector General

**Phone:** 561-297-3682

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UNIVERSITY™

*Office of Inspector General*

Audit Report: Purchasing  
For the Period January 1 through June 30, 2009

Use of Report

We are employed by Florida Atlantic University. This report is intended solely for the internal use of Florida Atlantic University and its governing bodies and is not intended to be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

**REPORT ON THE AUDIT OF  
PURCHASING**

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OFFICE OF INSPECTOR GENERAL  
Florida Atlantic University

MEMORANDUM

TO: Dr. John Pritchett  
Interim President

FROM: Morley Barnett   
Inspector General

DATE: November 13, 2009

SUBJ: AUDIT OF PURCHASING

In accordance with the University's Internal Audit Plan for fiscal year 2009-10, we have conducted an audit of the purchasing function at Florida Atlantic University. The report contained herein presents our scope and objectives and provides comments and conclusions resulting from procedures performed.

We have made two findings and recommendations for which management has already taken appropriate corrective action. To the extent that we were able to verify the successful implementation of these corrective measures, no subsequent follow-up action is deemed necessary by our office.

Please call me if you have any questions.

cc: University Provost  
Senior Vice Presidents  
Vice Presidents  
Auditees  
FAU BOT Audit and Finance Committee  
Inspector General, Florida Board of Governors  
Florida Auditor General

## EXECUTIVE SUMMARY

In accordance with the University's Internal Audit Plan for fiscal year 2009-10, we have conducted an audit of the purchasing function at Florida Atlantic University for the period January 1 through June 30, 2009. The scope of the audit did not include, among other things, testing of pCard, travel, or major construction purchases; purchase orders issued on behalf of the university's direct support organizations (DSOs); or leases of real property, as these areas are addressed during other periodic audits and/or special reviews conducted by the Office of Inspector General (OIG) and/or the Auditor General's Office.

Our audit objectives were to determine whether:

- Purchase requisitions were initiated and approved by authorized employees;
- Bids and bidding procedures were consistent with relevant laws, rules, regulations, and policies;
- Purchase orders were properly executed in compliance with applicable laws, rules, regulations, policies, and procedures; and,
- Purchasing personnel were in compliance with established standards designed to avoid conflicts of interest and unethical professional conduct.

Audit procedures included, but were not limited to, the evaluation of internal controls as those controls relate to the accomplishment of the foregoing audit objectives, as well as the performance of compliance testing on samples of purchase order transactions in order to determine whether control procedures were operating effectively.

Based on our observations and tests performed, we are of the opinion that the evaluated purchasing operations were being conducted in general compliance with all applicable laws, rules and regulations, university policies and procedures, and sound business practices. We identified two opportunities relating to procedural improvement for which management took corrective action during the course of our fieldwork. The details of these findings, as well as the corrective actions recommended and taken, can be found in the Comments and Recommendations section of this report.





OFFICE OF INSPECTOR GENERAL  
Florida Atlantic University

November 13, 2009

Dr. John Pritchett  
Interim President  
Florida Atlantic University  
Boca Raton, Florida

Dear President Pritchett:

SCOPE AND OBJECTIVES

In accordance with the University's Internal Audit Plan for fiscal year 2009-10, we have conducted an audit of the purchasing function at Florida Atlantic University for the period January 1 through June 30, 2009. The scope of the audit did not include, among other things, testing of pCard, travel, or major construction purchases; purchase orders issued on behalf of the university's direct support organizations (DSOs); or leases of real property, as these areas are addressed during other periodic audits and/or special reviews conducted by the Office of Inspector General (OIG) and/or the Auditor General's Office.

Our audit objectives were to determine whether:

- Purchase requisitions were initiated and approved by authorized employees;
- Bids and bidding procedures were consistent with relevant laws, rules, regulations, and policies;
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- Purchasing personnel were in compliance with established standards designed to avoid conflicts of interest and unethical professional conduct.

Audit procedures included, but were not limited to, the evaluation of internal controls as those controls relate to the accomplishment of the foregoing audit objectives, as well as the performance of compliance testing on samples of purchase order transactions in order to determine whether control procedures were operating effectively.

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We obtained an understanding of the activities associated with the purchasing function by reviewing written policies and procedures, interviewing key personnel, performing analytical reviews of selected financial information, observing actual practices, and evaluating key internal controls.

Our assessment of compliance with applicable laws, rules and regulations, and established policies and procedures was based on reviews of pertinent supporting documentation for judgmentally selected samples of purchase order transactions. 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 judgement.

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

## BACKGROUND

Purchasing is an important function of the administrative management of the University. The purchasing function is assigned to the Purchasing Department which is a customer service unit organized to support the acquisition of goods and services within pre-established budgetary constraints, and is the primary entity authorized to commit procurement funds on behalf of the University. The duties of the Purchasing Department include the preparation of purchase orders; the initiation of formal quotations, proposals, and bids; the conducting of public bid/proposal openings and the evaluation of bids/proposals; and, the awarding and administering of contracts until completion or termination.

During our performance of the audit, the unit was staffed by 15 employees - including two temporary workers. Ten employees were based at the main purchasing office on the Boca Raton campus; four employees were based at the Harbor Branch Oceanographic Institute campus; and, one employee was based at the Ft. Lauderdale campus.

The purchasing module of the Banner Finance system is currently being used by the Purchasing Department for purchase requisition, purchase order, and change order processing. For the fiscal year 2008-09, the Purchasing Department was responsible for processing approximately 14,000 purchase orders with a total estimated dollar value of \$102 million. This total expenditure represented an estimated 20% of the university's 2008-09 operating budget of approximately \$505 million.

## COMMENTS AND RECOMMENDATIONS

### Corrective Action Already Taken

#### *Purchasing Manual Update*

The Purchasing Department is responsible for the establishment and maintenance of uniform



purchasing procedures for the university's acquisition of commodities, contractual services, and construction. During the course of the audit, our review of the published Purchasing Manual (revised 7/27/04) indicated that it was not as up-to-date as possible. Examples of non-current information included, but were not limited to, a few outdated references to statutory and regulatory authoritative sources, and a partially incorrect description of the organizational structure of the Purchasing Department.

According to management, Purchasing had embarked on an extended project to revise the manual which had been primarily delayed because of a lag in the update of the university's purchasing regulations in response to significant changes in purchasing regulations promulgated by the Florida Board of Governors (BOG). Notwithstanding this delay, management has asserted that its purchasing operations were being conducted in compliance with current applicable statutory and regulatory purchasing guidance. During the audit, the Purchasing Department was able to finalize and implement the planned updates to the manual (effective 10/21/09). Our review of the revised manual – as published on the Purchasing website on 10/28/09 - indicated that all audit concerns had been appropriately addressed by management. To the extent that we were able to verify that this corrective action had been taken prior to the completion of our fieldwork, no further action or response from management is deemed necessary.

#### Florida BOG Regulation 18.002, Notice and Protest Procedures

According to Florida BOG Regulation 18.002(1)(b), the university shall provide notice of a decision or intended decision concerning a solicitation, contract award, or exceptional purchase by electronic posting. This notice shall contain the following statement:

*“Failure to file a protest in accordance with BOG regulation 18.002, or failure to post the bond or other security as required in BOG regulation 18.002, shall constitute a waiver of protest proceedings.”*

Based on discussions with management, and audit testwork performed, we determined that the Purchasing Department was posting both a paper notice (on its public poster board) and an electronic notice (in the *Bid Information* section of its website) of the intended contract awardee for the university's invitations to bid/requests for proposals. However, although the paper notice (the completed and signed-off bid tabulation sheet) contained the requisite statement, the electronic notice did not contain the BOG Regulation 18.002(1)(b) statement.

During the course of the audit, management elected to post the BOG Regulation 18.002(1)(b) statement on a permanent basis to the *Bid Information* section of its website (effective 10/26/09). To the extent that we were able to verify that this corrective action had been taken prior to the completion of our fieldwork, no further action or response from management is deemed necessary.

#### 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 being performed.



Within the past three fiscal years, our office has not conducted any audits related to the purchasing function. Accordingly, a follow-up on prior audit findings is not applicable.

### CONCLUSION

Based on our observations and tests performed, we are of the opinion that the evaluated purchasing operations were being conducted in general compliance with all applicable laws, rules and regulations, university policies and procedures, and sound business practices.

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



Morley Barnett, CPA, CFE  
Inspector General

Audit Performed By: Mike Hewett, CIA, CBA, CFSA, CGAP  
Ben Robbins, CPA