

Item: AC: I-1

AUDIT AND COMPLIANCE COMMITTEE
Monday, June 19, 2023

**SUBJECT: AUDIT REPORT: FY23-A-05, REVIEW OF THE UNIVERSITY MOTOR VEHICLE
PURCHASING PROCESS**

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

This is to present the report for our completed review of the University Motor Vehicle Purchasing Process. The review was part of our fiscal year 2023 work plan, with the primary purpose of evaluating the procedures for acquiring motor vehicles and providing recommendations for process improvements. As outlined in the report, we identified a few areas where improvements are warranted, and have provided management with best practice suggestions for ensuring motor vehicles are purchased in a manner that is in the best interest of the University.

IMPLEMENTATION PLAN/DATE

Not Applicable.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: Audit Report FY23-A-05, Review of the University Motor Vehicle Purchasing Process


Presented by – Mr. Reuben Iyamu, Inspector General

Phone: 561-297-6493



MEMORANDUM

TO: FAU BOT Audit and Compliance Committee
Dr. Stacy Volnick, Interim President

FROM: Reuben Christian Iyamu, Inspector General 

DATE: June 19, 2023

SUBJECT: **Review of the University Motor Vehicle Purchasing Process**
Report No. FY23-A-05

We have completed the review of the University Motor Vehicle Purchasing Process. The objective of the review was to evaluate the University practices and controls over the purchase of university motor vehicles to ensure purchases were justified, properly approved, and in accordance with applicable policies, regulations, and good business practices.

We submit this report which contains our conclusions and recommended actions, response from the applicable Vice President (VP), and management action plans. We will periodically review and report on management's actions to address the recommendations within this report.

We would like to thank the staffs of Property Management, Procurement, Facilities Management, and OIT – Workday Operations as well as select departments that own University motor vehicles for their full cooperation and assistance during this review.

Respectively Submitted,

cc: University Provost
Vice Presidents
Inspector General, Florida Board of Governors
Florida Auditor General
Maria Bimonte-Yerganian, Director of Procurement
Melodi Ramtallie, Associate Director of Procurement
Ilias Gyftopoulos, Property Operations Manager

Executive Summary

We conducted this review of the University motor vehicle¹ purchasing process as part of the Office of Inspector General’s Annual Work Plan for Fiscal Year 2023. The primary objective of the review was to evaluate the University practices and controls over the purchase of university vehicles to ensure purchases were justified, properly approved, and in accordance with applicable policies, regulations, and good business practices.

Overall, we found that the University’s practices and controls over the purchase of university motor vehicles were appropriate and adequate. However, we identified some observations that indicate the need for further improvement and enhancement in the current practices and controls. Specifically, we provided recommendations and management developed corrective action plans to address potential risks in the following areas:

1. Written policy and procedure manual.
2. Documenting justifications for purchasing motor vehicles.
3. Management review and approval process enhancement.

Background

To help facilitate the various day-to-day administrative operations of the university, Florida Atlantic University (FAU) provides motor vehicles (automobiles and golf carts) for transportation needs to the University community². As shown in the appendix below, the University currently owns 252 motor vehicles, excluding utility vehicles and University police vehicles. Since the University does not have a Fleet department to provide motor vehicle related services, the departments, colleges, offices, or other organizational units are responsible for the procurement and management of their own motor vehicles with little or no central monitoring and oversight function. While the Procurement and Property Management departments (which are both under the Financial Affairs Division) have some involvement in the motor vehicle procurement process and asset inventory tracking role, they are not functionally responsible for and do not serve as the oversight support.

Current Procedures for Procuring Motor Vehicles

Departments provide Procurement with a build sheet indicating the vehicle they would like to purchase, and the vehicle buyer forwards the build sheet to the dealer on contract for a quote including state/college tags. When the quote is received, the departments submit a requisition through Workday. The Workday business process requires requisitions with vehicle related spend categories to route to the Business Asset

¹ According to Florida Statute 320.01(22) – *Motor Vehicles*, “golf cart” means a motor vehicle that is designed and manufactured for operation on a golf course for sporting or recreational purposes and that is not capable of exceeding speeds of 20 miles per hour.

² For the purpose of this review, “University community” means all members of the university, including trustees, faculty, staff, students, volunteers, contractors, and other users of university motor vehicles.

Accountant, Spend Category Buyer, Business Unit Buyer (if business unit is not on Boca campus), Spend Category Manager, Project Manager for a construction project, Grant Manager for a grant, departmental Cost Center Manager, departmental Financial Approver for amounts \$5,000 or more, and departmental Vice President for amounts \$10,000 or more, for approvals.

This process automatically creates a Purchase Order (PO) which is approved and issued to the dealership. The dealership provides confirmation of order to the vehicle buyer. The dealership then works with the department on vehicle delivery. Once the vehicle is delivered, an invoice is submitted to Accounts Payable through Workday and routed for approvals prior to being paid.

Objectives, Scope, and Methodology

The objective of our review was to evaluate the University practices and controls over the purchase of University vehicles to ensure purchases were justified, properly approved, and in accordance with applicable policies, regulations, and good business practices.

The scope of the audit included the University's passenger cars, trucks, vans, buses, an ambulance, and golf carts with a value of \$5,000 or more received by January 2023. It did not include utility vehicles and University police vehicles.

To achieve our stated objective, we:

- Reviewed audit reports pertaining to University vehicles completed by other universities, municipalities, and cities.
- Reviewed University policies and procedures, and applicable federal and state statutes, rules, and regulations.
- Tested the adequacy of established internal controls and processes for procurement of the University's motor vehicles.
- Interviewed personnel responsible for purchasing motor vehicles, as well as departmental personnel who own vehicles.
- Verified Workday requisitions were properly approved prior to purchase.

We conducted this review in accordance with the *International Standards for the Professional Practice of Internal Auditing* and with *Principles and Standards for Offices of Inspector General*. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objective. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our objective.

Observations and Recommendations

Overall, we found that the University’s practices and controls over the purchase of university motor vehicles were appropriate and adequate. Procedures employed by the University for procuring motor vehicles provided reasonable assurance that motor vehicles purchased during the period of our review were authorized, accounted for, and generally in accordance with applicable laws and policies.

Some of the noteworthy controls that we found to be in place included:

- ✓ Motor vehicle requisitions route through the business process approval set up in Workday.
- ✓ The University documented certain guidelines for procuring vehicles in its Purchasing Manual.
- ✓ The University developed policies for use of university-owned vehicles and procuring golf carts/utility vehicles.
- ✓ University departments acquire motor vehicles in coordination with the Financial Affairs Division.
- ✓ The Procurement Department acquires vehicles in accordance with state regulations and guidelines.

We commend University management for establishing and implementing appropriate controls and processes to ensure Workday requisitions are properly approved prior to purchase. Notwithstanding these notable control assurances, we identified a few areas as described below where improvements and enhancements are needed. We have provided recommendations for management’s consideration and management has developed corrective action plan to address the notable risks.

Observation #1: Written Policy and Procedure Manual

A written policy and procedure manual serves as a key control for establishing management directives. It helps provide guidelines for ensuring complete, consistent, efficient, and effective administration of vehicle acquisitions. It is also beneficial in the event of a significant and/or unexpected turnover of key staff. A basic manual specifies the internal operating processes and responsibilities for purchasing vehicles, which includes, among other things, review and approval of request/payments, and documentation of related records.

We noted that although the University documented certain guidelines for procuring vehicles in its current Purchasing Manual, it has not developed a written policy and procedure manual specifically for purchasing University vehicles. As a result, the University cannot reasonably be assured that appropriate procedures and guidelines are consistently applied by applicable University departments in procuring motor vehicles.

To help establish uniform University-wide guidelines, we recommend management develop a written University policy and procedure manual for purchasing motor vehicles similar to the policies already established for use of university-owned vehicles and procuring golf carts/utility vehicles. We have provided management with Florida International University’s (FIUs) policy for the Acquisition, Assignment and Use of University Vehicles and University of Vermont’s Fleet Vehicle Procurement Procedure.

Observation #2: Documenting Justification to Purchase University Motor Vehicles

Sound management and best control practices for university motor vehicle acquisitions include an assessment of transportation and vehicle needs and a careful evaluation of alternatives to select the best solution to meet those needs. Some alternatives include: rentals, purchase or long-term lease of vehicles, shared use of vehicles, public transportation, and paying employees for mileage on personal vehicles used for business. This kind of analysis would support the justification for new or replacement motor vehicle purchases.

Contrary to best control and industry standards, University departments do not document a justification for purchasing University motor vehicles. Moreover, the Procurement department does not require a justification to be provided as part of the requisition creation and approval processes. Accordingly, we determined that the University departments do not clearly demonstrate and justify managerial decisions as to how the purchase of new or replacement motor vehicles are in the best interest of their department and the University.

We recommend the University develop a Vehicle Justification Form and provide it to the University community for use when documenting the justification to purchase motor vehicles. We have provided management with the Vehicle Justification Form used by FIU.

Observation #3: Management or Independent Review and Approval Function

As described in the Background section of the report, the current process for acquiring University's motor vehicles is functionally decentralized with little central guidance or oversight. Decisions regarding motor vehicle purchases are made by user departments and the Procurement department does not require documenting a justification to purchase.

Although the Workday business process requires requisitions to purchase motor vehicles be approved by executive level management for amounts \$10,000 or more, this approval process may not be adequate in the absence of an independent oversight and monitoring function. The University's best interests may not be properly taken into consideration when acquiring new or replacement motor vehicles.

We recommend that the applicable executive level management for the requesting department (i.e., the Provost or Vice President or designee) enhance their approval process to include the review and approval of the newly created Vehicle Justification Form. The Procurement department would also require that the properly completed and approved Vehicle Justification Form be attached to the requisition used for the purchase.

As an alternative to the executive management review, the University could consider assigning a staff member to serve as an independent oversight and monitoring function for the University's motor vehicles. This individual would review the Vehicle Justification Form submitted by the department and either approve, make suggestions, or deny the vehicle request. All decisions would be communicated to the requestor.

VP Response



Jayson Iroff, Vice President for Financial Affairs and Chief Financial Officer

Management acknowledges and agrees with the three observations noted.

Management Action Plans

Action plan	Responsible Employee	Target Date
<p>Recommendation #1 - To help establish uniform University-wide guidelines, we recommend management develop a written University policy and procedure manual for purchasing motor vehicles similar to the policies already established for use of university-owned vehicles and procuring golf carts/utility vehicles. We have provided management with Florida International University's (FIUs) policy for the Acquisition, Assignment and Use of University Vehicles and University of Vermont's Fleet Vehicle Procurement Procedure.</p>		
<p>Business Affairs and Facilities Management will co-develop a procedure manual for purchasing motor vehicles.</p>	<p>CFO, AVP of Facilities</p>	<p>12/31/2023</p>
<p>Recommendation #2 - We recommend the University develop a Vehicle Justification Form and provide it to the University community for use when documenting the justification to purchase motor vehicles. We have provided management with the Vehicle Justification Form used by FIU.</p>		
<p>Business Affairs and Facilities Management will develop a Vehicle Justification form as part of the newly developed procedure manual.</p>	<p>CFO, AVP of Facilities</p>	<p>12/31/2023</p>
<p>Recommendation #3 - We recommend that the applicable executive level management for the requesting department (i.e., the Provost or Vice President or designee) enhance their approval process to include the review and approval of the newly created Vehicle Justification Form. The Procurement department would also require that the properly completed and approved Vehicle Justification Form be attached to the requisition used for the purchase.</p> <p>As an alternative to the executive management review, the University could consider assigning a staff member to serve as an independent oversight and monitoring function for the University's motor vehicles. This individual would review the Vehicle Justification Form submitted by the department and either approve, make suggestions, or deny the vehicle request. All decisions would be communicated to the requestor.</p>		
<p>An independent review and approval function will be incorporated as part of the new procedure that will be developed by Business Affairs and Facilities Management.</p>	<p>CFO, AVP of Facilities</p>	<p>12/31/2023</p>

Engagement Team

Review Conducted by: Allaire Vroman, Internal Auditor/Investigator

Review supervised and approved by: Reuben Iyamu, MBA, CIA, CFE, CIGA, CIG
FAU Inspector General

Please address inquiries regarding this report to: Reuben Iyamu, FAU Inspector General, by email at riyamu@fau.edu or by phone at 561-297-6493.

APPENDIX

University's Motor Vehicles as of January 31, 2023 *

<u>Departments</u>	<u>Vehicles</u>	<u>Golf Carts</u>	<u>Total Items</u>
Administrative Affairs	0	1	1
Athletics	0	11	11
Broward Campuses Administration	6	2	8
Business Services	1	1	2
Campus Recreation	1	0	1
Career Center	0	2	2
College of Arts and Letters	0	3	3
College of Education - A.D. Henderson University School	8	6	14
College of Education - Pine Jog	1	0	1
College of Engineering, Dean's Office	1	0	1
College of Medicine – Building Operations	0	1	1
College of Science	17	1	18
College of Social Work & Criminal Justice	0	1	1
Division of Research	2	1	3
Enterprise Systems	0	3	3
Environmental Health & Safety (EH&S)	4	7	11
Facilities Management	21	24	45
Florida Center for Environmental Studies (FCES – Riverwoods)	1	0	1
Graduate College	0	2	2
Graduate Student Association	0	1	1
HBOI	31	11	42
Honors College	1	0	1
Housing and Residential Life	2	8	10
Institutional Advancement	0	3	3

Instructional Technologies	0	3	3
Jupiter Campus	0	2	2
Library	3	1	4
Northern Technology Services (NTS)	0	1	1
Office of Equity and Inclusion	0	1	1
Office of the General Counsel	0	1	1
Parking & Transportation Services	16	2	18
Police Information Technology	1	3	4
Property Management	3	2	5
Public Affairs	0	1	1
Student Accessibility Services (SAS)	0	1	1
Student Affairs	3	1	4
Student Government – Administration	0	1	1
Student Government - Night Owls (Boca)	0	5	5
Student Government - Night Owls (Davie)	0	1	1
Student Government - Night Owls (Jupiter)	0	1	1
Student Government – Program Board	0	2	2
Student Health Services	0	1	1
Student Media	0	1	1
Student Union	1	1	2
Telecommunications	1	2	3
Undergraduate Admissions	0	2	2
Undergraduate Studies – Dean’s Office	0	1	1
Video Services	0	1	1
Total	125	127	252
* Passenger cars, trucks, vans, buses, an ambulance, and golf carts with a value of \$5,000 or more. This does not include utility vehicles and University police vehicles.			