



FLORIDA ATLANTIC UNIVERSITY

Board of Trustees

Item: AC: I-1

AUDIT AND COMPLIANCE COMMITTEE

Tuesday, June 4, 2024

SUBJECT: AUDIT REPORT: FY24-A-02, AUDIT OF THE UNIVERSITY'S CONTRACT PROCUREMENT PROCESS

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

This is to present the report for our completed audit of the University's Contract Procurement Process. The audit was part of our approved Annual Work Plan for Fiscal Year 2024, with the primary purpose of evaluating the procurement practices and controls for competitively awarding contracts and providing recommendations for process improvements.

As outlined in the report, we recommended that the Procurement department should update the current Purchase Guidelines and Manual to address: (1) the need to maintain the justification for using contracts executed by other entities, as required by BOG regulation, and (2) the guidelines for using a selection committee to evaluate received bids or proposals and select vendors. Other than the recommendation, our audit showed that the University's practices and controls for competitively awarding contracts were generally fair and adequate, ensured the best value for the University, and were in accordance with applicable regulatory laws, policies, and best business practices.

IMPLEMENTATION PLAN/DATE

Not Applicable.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation:

Audit Report FY24-A-02, Audit of the University's Contract Procurement 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 4, 2024

SUBJECT: **Audit of University's Contract Procurement Process, [Report No. FY24-A-02](#)**

We have completed an Audit of the University's Contract Procurement Process. The objective of the audit was to determine whether the University's practices and controls for procuring contractual services and commodities ensured contracts were awarded in a fair and competitive manner, provided the best value for the University, and were in accordance with applicable laws, regulations, policies, and best business practices.

We submit this report which contains our conclusions and recommended actions, response from the Vice President for Financial Affairs, as well as 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 staff of the Procurement department for their full cooperation and assistance during this audit.

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

Executive Summary

This audit was conducted as part of our Annual Work Plan for Fiscal Year 2024. The primary purpose of the audit was to evaluate the University's procurement practices and controls for competitively awarding contracts. Overall, we found that the University's contract procurement practices and controls provided reasonable assurance that contracts were awarded in a fair and competitive manner, ensured the best value for the University, and were in accordance with applicable laws, regulations, policies, and best business practices. However, we provided a recommendation to the Procurement department that they should update the current Purchase Guidelines and Manual to address: (1) the need to maintain the justification for using contracts executed by other entities, as required by BOG regulation, and (2) the guidelines for using a selection committee to evaluate received bids or proposals and select vendors. In addition, we also recommended that Procurement department implement the "PiggyBack Contract Adoption Checklist" it developed to document the justification for using contracts executed by other entities.

Background

The Procurement department, which is within the Division of Financial Affairs, is (as a central function) responsible for the acquisition of commodities and services for the University community in accordance with the governing laws, regulations, and policies. Pursuant to University regulation 6.008¹, part of that responsibility includes (but is not limited to) establishing operating procedures for administering the University procurement process, ensuring the acquisition of goods and services, and awarding contracts for commodities and contractual services. In managing procurement functions and activities, the Procurement department generally collaborates with all University divisions, departments, or offices to procure goods and services from qualified vendors at the lowest cost and highest quality; in a manner that ensures competitiveness, fairness, transparency, and results in the best value for the University.

Pursuant to the updated University Purchase Guidelines and Manual (Purchasing Manual) and consistent with State laws and regulatory requirements, small (i.e., less than \$25,000) purchases and certain types of commodities or contractual services are not subject to competitive procurement. For those purchases that are subject to competitive procurement, the methods for sourcing the applicable commodity or contractual service vary and are determined based on monetary thresholds. For instance, unless otherwise exempt, two or more written quotes are required for purchases greater than \$25,000 and less than \$75,000, while three or more written quotes are required for purchases greater than \$75,000 and less than \$150,000. A formal competitive bid or proposal is required for purchases of commodities, contractual services, or deferred payment contracts in excess of \$150,000, unless otherwise exempted by laws or regulations.²

¹ <https://www.fau.edu/regulations/documents/chapter6/regulation-6-008.pdf>

² During the periods covering the scope of our audit, purchases up to \$19,999 were not subject to competitive quotes, \$20,000 to \$74,999 required two or more written quotes, and \$75,000 and above required formal competitive bidding or solicitation processes.

For purchasing actions that require a formal competitive process (i.e., those that exceed the \$150,000 threshold), the University uses the following three methods to solicit and award contracts to vendors:

1. **Invitation to Bid (ITB)** – A written solicitation for competitive sealed bids, designating the title, date, and hour of the public bid opening and also defining the commodity, group of commodities, or services.
2. **Invitation to Negotiate (ITN)** – An invitation extended to prospective contractors, whether by advertisement, written solicitation, electronic media, or any other form of communication, to define the specifications, terms and conditions of a contract for commodities or contractual services. An invitation to negotiate may be used when negotiations are beneficial to achieve the best outcome for the University.
3. **Request for Proposal (RFP)** – A written solicitation for competitive proposals for commodities or contractual services designating the title, date, and hour of the public opening. The request for proposal is used when the scope of work is not clearly defined.

For any of the above formal bidding or solicitation methods, the contract procurement process typically commences when: (1) the applicable user department communicates their needs to the Procurement department; (2) Procurement places a bid advertisement on the MyFlorida Marketplace Vendor Bid System (VBS)³, which is accessible through the Jaggaer platform; (3) the announcement and public opening of bids; (4) the Selection Committee or Purchasing Coordinator (as applicable) reviews the received bids/proposals to select a vendor; and (5) concludes with the negotiation and awarding of a contract. During the periods of our audit (i.e., fiscal years 2022 and 2023), we identified that Procurement department issued a total of sixteen solicitations for contract awards using the three formal competitive solicitation processes.

Objectives, Scope, and Methodology

The **objective** of this audit was to determine whether the University’s procurement practices and controls ensured that contracts were awarded in a fair and competitive manner, provided the best value for the University, and were in accordance with applicable laws, regulations, policies, and best business practices.

The **scope** of this audit included a review of the University’s current procedures and practices for awarding contracts, including a review of types and processes for vendor solicitation, evaluation of vendor submitters, and the selection and award of contracts. Our audit examined sampled contract solicitations executed during fiscal years 2022 through 2023 and any related activities occurring through the end of our audit fieldwork. Specifically, we reviewed one contract solicited by RFP, two by ITN, and two by ITB, for a total of five contracts. This audit only focused on the contract solicitations executed by the Procurement department and did not address those administered by other departments.

Methodology:

We conducted various audit procedures to accomplish our stated audit objective and scope, including, but not limited to:

³ VBS is integrated with the University’s Jaggaer online bidding platform.

- Reviewing applicable regulations, rules, laws, statutes, and policies.
- Reviewing contract procurement related audits performed by other Universities and municipalities.
- Interviewing various knowledgeable personnel to obtain an understanding of related processes and practices.
- Performing a risk assessment to evaluate risks affecting the University contract procurement process and the effectiveness of existing controls, including the assessment of segregation of duties within the solicitation process.
- Verifying that appropriate competitive acquisition processes were followed.
- Obtaining a sample of contract solicitations from each type of solicitation method and performing detailed testing to verify that the appropriate competitive procurement procedures were followed and properly documented.
- Reviewing selected purchases exempt from competitive solicitation (i.e., sole source and piggyback) to ensure they were appropriate and in accordance with applicable laws, regulations, and policies.
- Performing various other auditing procedures to achieve our audit objective, including analytical procedures.

We conducted this audit 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 audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Observations and Recommendations

Overall, we found that the University's practices and controls for awarding contracts provided reasonable assurance that contracts were awarded in a fair and competitive manner, provided the best value to the University and were in accordance with applicable laws, regulations, policies, and best business practices.

The following are some of the notable control assurances that we found to be in place:

- ✓ Key provisions for ensuring fair and competitive acquisition of contracts, including ethical standards are included in the Purchase Guidelines and Manual established by the Procurement department. Also, the manual addresses key requirements for compliance with applicable laws and regulations.
- ✓ Selection committees were used to evaluate and award contracts solicited through RFP and ITN, and the committee members were required to sign a No-Conflict-of-Interest Statement.
- ✓ For the sampled contracts reviewed, the vendors were required to submit their proposals in a particular and consistent format that enabled a fair comparison of bids and proposals.
- ✓ For the sampled contracts reviewed, an adequate and fair process was used to evaluate and rank proposals and/or bids.
- ✓ Contracts reviewed as part of this audit were awarded to the lowest and best bid/proposal based on the solicitation method and in accordance with established procedures.

We commend the FAU Procurement department for establishing and implementing appropriate controls designed to ensure fair and competitive procurement of university contracts. Nonetheless, we noted one

area described in detail below where further improvements are warranted to ensure continued compliance with BOG regulations.

Observation #1: Purchase Guidelines & Manual Updates

As described in the Background section of this report, the Procurement department established a university-wide Purchase Guidelines and Manual to provide uniform procedures and directives for procurement of commodities and contractual services. The manual generally contains key best control practices and the requirements for complying with state law, and BOG and FAU regulations. We noted the manual was updated in November 2023 to reflect new provisions in the amended BOG and FAU regulations, which includes, among other things, the increase of the formal solicitation threshold from \$75,000 to \$150,000.

On the other hand, one provision in the amended BOG regulation that was not included in the revised University manual relates to the use of contracts from other agencies or institutions as an alternative for further competitive solicitation, also known as piggyback. Specifically, the amended BOG regulation requires each University to maintain the justification for using contracts from other agencies or institutions, which includes maintaining the processes used to identify the potential savings of adopting the contract at a five percent savings goal. Though the processes for utilizing contracts entered into by other institutions and government entities were addressed in the updated University manual, it did not reflect the BOG regulation requirement to maintain justification for using contracts from other institutions or government entities. In response to our inquiry, the Procurement department developed a “PiggyBack Contract Adoption Checklist” for implementing the BOG regulation requirement regarding the use of contracts executed by other entities.

We recommend that management should: (1) implement the developed “PiggyBack Contract Adoption Checklist”, and (2) update the current Purchase Guidelines and Manual to address the need to maintain the justification for using contracts executed by other entities, as required by BOG regulation.

In addition, we noted that the University’s process for using a selection committee was not addressed in the current manual. Accordingly, **we also recommend** that management should consider updating the manual to address the guidelines for using a selection committee to evaluate received bids or proposals and select vendors, including, for instance:

- The structure and composition of committee members.
- The committee members’ approval by the Director of Procurement.
- The process for better collaboration between the Procurement Director and Selection Committee Chair.

VP Response



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

I am pleased that the OIG determined that the Procurement department has been found to be commendable in the University Contracts process and that all related activities were administered appropriately and adequately. We appreciate that the OIG took the time to discuss the prescribed processes and to work collaboratively with the Procurement team. We accept the recommendation to update the Procurement Manual & Guidelines to include the need to maintain justification for adopted, known as ‘piggyback’ publicly bid contracts by use of a “Piggyback Contract Adoption Checklist” as authored by the Procurement Director and approved by the OIG. Further, we agree to augment the guidelines for use of a selection committee to evaluate received bids/proposal and select suppliers. We extend thanks to the OIG for their review and recommendations.

Management Action Plan



| Action plan | Responsible Employee | Target Date |
|--|---|---------------------|
| <p>Recommendation #1 – We recommend that management should update the current Purchase Guidelines and Manual to address: (1) the need to maintain the justification for using contracts executed by other entities, as required by BOG regulation, and (2) the guidelines for using a selection committee to evaluate received bids or proposals and select vendors. In addition, we also recommend that management should implement the “PiggyBack Contract Adoption Checklist” it developed to document the justification for using contracts executed by other entities.</p> | | |
| <p>Procurement department will revise its Purchase Guidelines and Manual to indicate (1) the need to maintain the justification for using contracts executed by other entities, and (2) updated guidelines for selection committee members to evaluate bids and select suppliers.</p> | <p>Maria Yerganian, Director of Procurement</p> | <p>June 1, 2024</p> |
| <p>Procurement department will implement the “PiggyBack Contract Adoption Checklist” it developed to document the justification for using contracts executed by other entities.</p> | <p>Maria Yerganian, Director of Procurement</p> | <p>June 1, 2024</p> |

Engagement Team

Audit Conducted by: Robert Weintraub, CIA, CRMA

Audit 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.