

COLLEGE OF SOUTHERN NEVADA
PURCHASING DEPARTMENT OPERATIONS
Internal Audit Report
July 1, 2010 through June 30, 2011

GENERAL OVERVIEW

The Purchasing Department at the College of Southern Nevada (CSN) is comprised of five employees and is responsible for procuring goods and services, training college staff on procurement procedures, maintaining and administering purchasing documentation for the CSN community. The department operates within the area of Financial Services, which is one of six main areas within the Division of Finance & Administration. The department is centrally managed by its interim director. The mission of the department is to provide its internal customers with an efficient and effective means of procuring the goods and services necessary to support the mission of CSN. Also, it is to provide external customers with an open, competitive atmosphere beneficial to the buyer and seller that support the procuring goods and services on the basis of definitive specifications, quality of product and service, competitive price and delivery.

SCOPE OF AUDIT

The Internal Audit Department has completed an operational review of the CSN Purchasing Department for the period of July 1, 2010 through June 30, 2011.

The scope of our review consisted of the following.

1. Surveying institutional departments on the purchasing policies and procedures, and their level of satisfaction with the Purchasing Department.

2. Surveying CSN vendors to obtain their feedback related to the purchasing policies and procedures.
3. Interviewing Purchasing Department staff.
4. Reviewing the job descriptions of departmental employees to determine the general activities and work flow of the department.

The review excluded the testing of purchasing activity for compliance with Board of regents purchasing policies, which had already been performed during our departmental audit of CSN Purchasing in March 2010.

In our opinion, we can be reasonably assured that the CSN Purchasing Department is operating in a satisfactory manner. However, we recommend both Purchasing and Finance & Administration Departments review the department survey results and feedback received as noted below, and determine whether any viable changes or improvements are suitable and feasible for implementation when considering cost/risk.

DEPARTMENTAL SURVEY RESULTS

The Internal Audit Department sent surveys to 28 CSN departments for completion by their account managers, and received 19 survey responses. The questions in the survey asked respondents to rate their level of satisfaction with the service they received from the Purchasing Department, asked about how well the purchasing policies were communicated and their ease of understanding, how timely their requisitions were processed, asked them to rate their overall experience with the Purchasing Department, and asked for their input on suggested areas needing improvement. A summary of the department survey results is presented as follows.

- Purchasing Department overall provides excellent service – respondents agreed

- Purchasing policies are clear and have been communicated – mixed responses
- Requisitions are processed timely – respondents agreed
- Overall experience with Purchasing - good

In regard to the policies being clearly communicated to the departments, six of the 19 respondents noted the purchasing policies were either not communicated to them, were difficult to understand, or were difficult to locate online.

Based on the response received, we attempted to locate the purchasing policies on the campus's main website, which we were able to do by using the quick links drop-down menu and selecting "Purchasing." We were also successful through use of the search box function on the institution's main web page, which provided links for accessing the Purchasing website and various purchasing policies.

The following suggestions for improvement were received from CSN departments in response to the survey.

- Create a simplified checklist to guide employees unfamiliar with the purchasing process. The checklist would aid in identifying which documents should be submitted and where the documents should be routed for processing.
- Provide basic training on the purchasing process, and increase communications occurring between campus departments and Purchasing.
- Automate purchasing processes.
- Communicate where purchasing forms are located online and to whom the Purchasing Department questions should be directed.

We followed up with the Interim Director of Purchasing to identify the extent of purchasing training courses offered during the period audited, and noted there were ample

training classes offered. We also followed up with the Director for the Center for Academic and Professional Excellence (CAPE) which formulates, designs, and coordinates staff and faculty professional development and training to support the institution's strategic goals. We were informed by the Director of CAPE that employees are notified bi-weekly through email of the upcoming courses listed, which occurs up to two weeks in advance for the numerous courses offered through CAPE. However, we noted just a few employees had recently enrolled for the Financial Services 101 course, which includes various purchasing topics such as requisitions, travel claims, and reimbursements. Therefore, some courses had to be cancelled.

We also noted that the Purchasing webpage did include a reference list of purchasing forms, and identified separate points of contact to answer questions related to general purchasing, independent contractor, and limited purchase order.

We recommend the suggestions voiced by CSN departments be reviewed by management in the Purchasing and Finance & Administration Departments, and determine whether it is feasible or beneficial to implement any changes to address their feedback received.

Institution Response

CSN appreciates NSHE Internal Audit staff's review of processes unrelated to compliance with Board of Regents purchasing policies (the latter was completed during the departmental audit of March 2010.) Suggestions for improvement submitted by college departments in response to a survey were reviewed. As confirmed by the NSHE audit staff in the paragraphs above, most of the suggested training and communications tools are already in use by the Purchasing Department and have been for some time. Consistent effort is made to train college departmental staff, faculty and students in proper purchasing procedures—not only to ensure compliance with regulations which is of paramount importance, but also to streamline the purchasing process to ensure that goods and services are provided in a timely and cost effective manner.

The Purchasing webpage contains information related to appropriate staff contact persons for questions on Purchasing Requests (RX), Limited Purchase Orders (LPO), Vendor Requests, Requests for Proposal and other purchasing topics. The list of forms that can be completed online for the convenience of the user is located on the right sidebar.

The Purchasing Department offers each semester, training in appropriate purchasing procedures, contract approval, and a host of other important financial topics;

the Fall 2012 semester training sessions are scheduled at Charleston, Cheyenne and Henderson Campuses for October 3rd, 4th and 17th respectively. The Financial Services staff also provides training on specific topics on a one-to-one basis or to departments, as may be requested. We continue to encourage users to contact Purchasing staff as subject matter experts to increase user knowledge of purchasing procedures, and to utilize the training opportunities that are offered.

VENDOR SURVEY RESULTS

The Internal Audit Department sent requests to 92 CSN Vendors to complete a short survey regarding CSN Purchasing, of which 22 responses were received. The survey gauged; whether the purchasing process was open, fair, and equitable, whether purchase and payment processes were clear and easy to understand, timeliness of support provided to vendors to aid in the solving of outstanding procurement issues, vendor satisfaction with customer service provided, timelessness of payments received from CSN, and also asked for their input on potential improvements. Overall, the survey responses from vendors were favorable. A summary to recap the vendor survey results is presented as follows.

- Purchasing process is open, fair, equitable – 20 of 22 (91%) agreed
- Clear and easily understood purchase/pay processes – 21 of 22 (95%) agreed
- Timely support to resolve issues – 18 of 20 (90%) agreed, two N/A responses
- Satisfaction with customer services delivered – 17 of 18 (95%) agreed, four neutral
- Timeliness of payments (with 30 days) received – 18 of 22 (82%) agreed
- Overall experience with Purchasing – 19 of 22 (86%) positive

The following is some of the feedback received from CSN Vendors.

- One vendor would like to see the number of required signatures reduced, and believe it is unnecessary to complete the same independent contractor agreement forms annually when they have been an active vendor for many years.
- One vendor would like to see more open bidding for local business.

We recommend the suggestions voiced by CSN vendors be reviewed by management in the Purchasing and Finance & Administration Departments, and determine whether it is feasible and beneficial to implement any changes or improvements when considering cost/risk.

Institution Response

It is difficult to respond to a vendor’s feedback that the “number of signatures” should be reduced since the situational specifics are unknown. CSN has developed approval levels and procedures to ensure that appropriate scrutiny is in place for all purchasing transactions and/or contractual relationships to which the College enters. Once a vendor provides the documents requested by the College, the approval (or signatory) process is underway and out of the hands of the vendor until a contract is executed, a Purchase Order has been issued and/or the transaction is completed. CSN established these approval measures to ensure that the college is fully compliant with all Board of Regents’, Chancellor’s Office, state, federal and other agency regulations, guidelines and mandates. CSN will not jeopardize the integrity or transparency of financial transactions by taking shortcuts in the approval process.

Independent Contractor Agreements are contracts between the college and individuals who provide services to the college. The ICA document determines whether the individual is an independent contractor or an employee, as defined by Internal Revenue Service criteria. The ICA document is valid for the time period specified, but cannot extend beyond June 30th of the current fiscal year. The requirement to complete new ICA forms annually is to provide Purchasing staff the opportunity to scrutinize the information on a periodic basis to ensure that there has been no substantive change in the relationship between the college and the independent contractor to that of an employer/employee (*CSN Independent Contractor Agreement (ICA) Policy, dated 11/14/08.*)

With respect to the comment regarding “more open bidding for local business”, CSN utilizes a comprehensive approach to advertising/soliciting Requests for Proposal (RFP) and Bid opportunities including:

- 1. All Bids/RFPs are posted to the CSN website;**
- 2. All are advertised in the Las Vegas Review Journal Legal Notices section, usually in the Sunday edition which is typically the largest circulation day;**
- 3. CSN has developed a “Certificate of Mailing” list that generates Bids/RFP notifications to:**
 - a. Various Chambers of Commerce (Asian, Urban, Latin, North Las Vegas and the Women Chambers); National Center for American Indian Enterprise Development (NCAIED) and the Nevada Minority Supplier Development Council and they are requested to notify their memberships of the opportunities;**
 - b. Various bid boards as appropriate—for example, the Nevada Builders Exchange, Southern Nevada Subcontractor’s Bid Depository, Sierra Plan Room, and McGraw-Hill Construction Dodge; and**
 - c. Nevada Commission on Economic Development.**
- 4. Purchasing maintains interest lists for specific bidding opportunities. These lists have been developed over time using information gained from vendor inquiries, previous**

Bid/RFP responses and those firms are included on the Certificate of Mailing as applicable.

- 5. Vendors contacting Purchasing are also provided with directions to access the Bid/RFP link located on the department's webpage. This allows vendors the flexibility to peruse current offerings at their convenience.**
- 6. CSN uses the *Welcome to the Purchasing Department* brochure at networking functions, Chamber luncheons, trade fairs, etc. This brochure provides details on where to find current Bid, RFP and other important information.**

PURCHASING DEPARTMENT FEEDBACK

We conducted interviews with the five Purchasing Department employees and asked that they provide comments on; their duties including any additional responsibilities taken on, challenges faced on a regular basis, roadblocks preventing them from completing their job timely and satisfactorily, possible improvement opportunities for their jobs, any policies or procedures in need of change, suggested improvement opportunities, and identification of any strengths or potential weaknesses of their department.

Additional Duties and Responsibilities - Employees were satisfied overall when asked about their jobs, although there were periods of time noted where the workload could be a little overwhelming. Another issue raised was that as positions had become vacant or were eliminated, individuals were required to take on more responsibility and perform dual roles. Additionally, on occasion employees are completing the job of other individuals, mainly not in the purchasing department, because the individual does not have the authority to complete the task. This additional work can be time consuming and many times is intended to be a one-time task, which ends up turning into a regular task for the Purchasing Department employees.

Challenges Faced - The following are some of the challenges identified by purchasing department employees.

- There seems to be a lack of training or understanding from the departments that are submitting purchasing documents that makes it difficult to process purchases in a timely

manner, and creates unnecessary back and forth between the Purchasing Department and the producer of the purchasing document.

- Lack of a database for contracts makes it difficult to track contracts, identify which companies the institution has existing contracts with, and verify contracts are up-to-date.
- Not having an online purchasing system creates additional paperwork and adds additional time for processing of purchasing documents.
- The approval process for purchases is lengthy and documents get held up for minor changes. A lack of signature authority to override purchasing limits, even for minimal amounts, creates a delay.
- When processing contracts and purchases, employees are required to review Certificates of Insurance, yet the employees are not trained to know what information the certificate should contain.

We were able to verify that two buyers and the Interim Director of Purchasing attended the Business Center South (BCS) Risk Management training course that occurred on August 21, 2011, which included the agenda topic of “Certificates of Insurance.”

Suggested Improvement Opportunities - The following are some of the improvements that the Purchasing Department employees would like to see.

- Implementing the Purchasing Card program in more departments would reduce the workload for Purchasing, including the amount of documentation flowing through the department.
- Once the P-Card program is extended to additional departments a review of workload and a redistribution of job assignments would be helpful.
- Maintaining a listing of the Institution’s vendors that is made available for departments to

review. This would give the departments an opportunity to save money when a bulk discount is available and would eliminate having a large number of vendors for the same goods.

- Adopting an online purchasing and work flow approval system.

Strengths Noted – Staff noted departmental communications and cohesiveness of working relationships as strong.

We recommend the feedback received and suggestions voiced by the Purchasing department staff be reviewed by management in the Purchasing Department and Finance & Administration, and a determination be made as to whether it is feasible to implement any changes or improvements to address their concerns when considering cost, risk, and funds availability.

Institution Response

The suggestions made by the Purchasing Department staff were reviewed by the Financial Services and Division management team. As mentioned, the Purchasing Card program has been rolled out to the college on a limited basis. It is the intent that over time, the program will be made available to the college at large.

The monthly reconciliation of the purchasing cards has remained with the department's interim director. As the program is extended to more departments, this reconciliation function will shift to the Purchasing Department staff. Their perception that use of the P-card will reduce workload is somewhat flawed. While the use of purchasing documents (RXs, LPOs, etc.) will decrease, the monthly documentation forwarded by departments to support their purchases is estimated to result in approximately the same volume--it is the tasks that will change.

Another limitation to a college-wide rollout of the P-Card is the need for a comprehensive document imaging system to manage the flow of documentation necessary for reconciliation, audit and other purposes. The current system is not designed to handle the volume that would be generated and the costs associated with procuring a new system are significant. We will continue to seek solutions to these implementation issues.

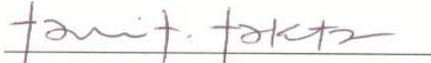
The suggestion of maintaining vendor lists was discussed. With the implementation of iNtegrate 2, it is anticipated that the system will provide more capability for gathering specific information related to vendors, commodities, etc.

The Internal Audit Department appreciates the assistance and cooperation received from the Purchasing Department personnel during this review.

Las Vegas, Nevada
April 04, 2012



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Memorandum

Senior Vice President, Finance & Administration

TO: Sandi Cardinal, Assistant Vice Chancellor for Finance
NSHE

FROM: Patricia Charlton
Senior Vice President, Finance & Administration

SUBJECT: Audit Response for CSN Purchasing Department Operations
July 1, 2010 through June 30, 2011

DATE: October 17, 2012

Attached is the initial response to the CSN Purchasing Department Operations Audit Report for the period from July 1, 2010 through June 30, 2011. There were no operational recommendations/deficiencies to be addressed. However, the feedback to Internal Audit surveys provided by vendors, internal departments and Purchasing Department staff are addressed within the context of the audit response.

The categories discussed relate to:

- Availability of information regarding purchasing policies and procedures
- Training in proper purchasing procedures
- Approval processes for purchases
- Independent Contractor Agreements (ICA)
- Open Bidding for Vendors—Publication of bid opportunities; utilization of local groups and agencies; bid lists, networking, etc.
- Suggestions from department staff

The Audit Committee Agenda Request form is also attached. Please let me know if you have any questions regarding this information.

Thank you.

PAC:mte

c: Michael D. Richards, President
Mary Kaye Bailey, Associate Vice President for Financial Services/Controller, CSN