

State University of New York – University at Buffalo

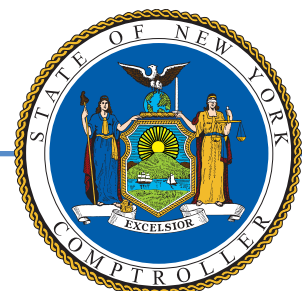
Procurement Practices

Report 2018-S-37 | October 2019

OFFICE OF THE NEW YORK STATE COMPTROLLER

Thomas P. DiNapoli, State Comptroller

Division of State Government Accountability



Audit Highlights

Objective

To determine whether the State University of New York – University at Buffalo’s procurement and contracting practices provide sufficient assurance that funds are spent appropriately, are in the best interest of the State, and adequately safeguard against waste and abuse. Our audit covered procurement and contracting transactions between April 1, 2016 and September 5, 2018, and subsequent information provided by the University at Buffalo through April 5, 2019.

About the Program

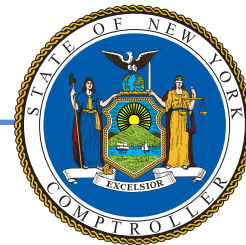
The University at Buffalo (Buffalo) is one of the largest institutions within the State University of New York public higher education system. Specializing in research and medicine, Buffalo serves more than 31,000 students and employs more than 2,500 faculty on its three campuses. In support of its mission, Buffalo spent nearly \$330 million in State funds on procurements between April 2016 and September 2018. Various requirements, established in law and elsewhere, are in place to ensure that spending is appropriate and in the best interest of the State.

Key Findings

Our review of \$8 million in Buffalo spending between April 2016 and September 2018 uncovered various issues within its procurement processes, leading us to question whether \$895,839 was spent appropriately and in the best interest of the State. The majority of these expenses were paid to two vendors: Buffalo Foundation Activities, Inc. for research-related administrative services; and Corr Distributors, Inc. for custodial equipment maintenance. Buffalo’s poor monitoring of spending and contracting practices resulted in potential lost savings and cost avoidance, overcharges by vendors, and purchases that lack support for business need or reasonableness of price, among other questionable transactions. Buffalo agrees with most of our concerns and has indicated it will make improvements.

Key Recommendations

- Ensure procurement procedures are being followed and document purchases appropriately so purchases are business related and goods or services are obtained at a reasonable price.
- Improve the awarding and monitoring of the agreements for research-related administrative services and custodial equipment maintenance.
- Develop a process for low-bid selection that includes evaluating parts and materials price lists for custodial equipment maintenance and repair services to ensure Buffalo is receiving the true contracted cost.



Office of the New York State Comptroller Division of State Government Accountability

October 3, 2019

Dr. Satish K. Tripathi
President
University at Buffalo
State University of New York
Office of the President
501 Capen Hall
University at Buffalo
Buffalo, NY 14260

Dear President Tripathi:

The Office of the State Comptroller is committed to helping State agencies, public authorities and local government agencies manage government resources efficiently and effectively and, by so doing, providing accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit entitled *Procurement Practices*. This audit was performed pursuant to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

Division of State Government Accountability

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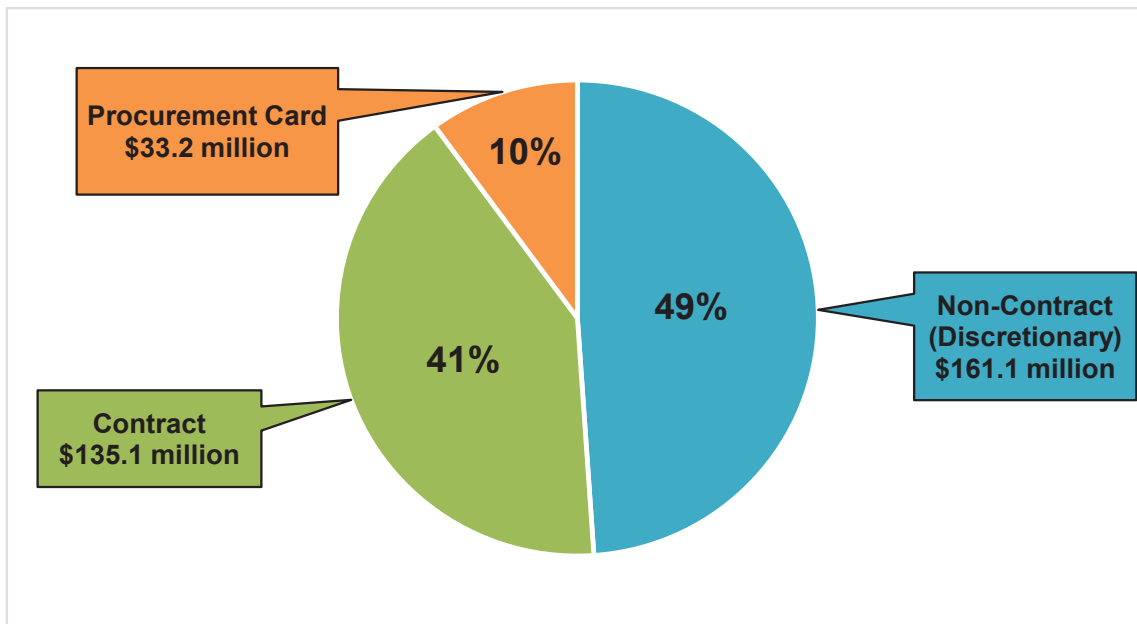
Glossary of Terms

Abbreviation	Description	Identifier
Buffalo	University at Buffalo	<i>Auditee</i>
Corr	Corr Distributors, Inc.	<i>Vendor</i>
Foundation	University at Buffalo Foundation, Inc.	<i>Vendor</i>
Law	State Finance Law	<i>Key Term</i>
MSRP	Manufacturer's suggested retail price	<i>Key Term</i>
OSC	Office of the New York State Comptroller	<i>State Auditor</i>
p-card	State Procurement Card	<i>Key Term</i>
RF	Research Foundation of SUNY	<i>Key Term</i>
SUNY	State University of New York	<i>Key Term</i>
UBF	University at Buffalo Foundation Activities, Inc.	<i>Vendor</i>

Background

The State University of New York (SUNY) is the largest comprehensive system of public education in the nation, comprising 64 institutions, including research universities, academic medical centers, liberal arts colleges, community colleges, and agricultural and technical institutes. The University at Buffalo (Buffalo) is among the largest of SUNY institutions. Specializing in research and medicine, Buffalo serves more than 31,000 students and employs more than 2,500 faculty on its three campuses. Buffalo spent nearly \$330 million in State funds between April 2016 and September 2018. The chart below details how the money was spent.

Spending by Type



System Administration, the governance arm of the SUNY system, is responsible for establishing policies in compliance with State laws, rules, and regulations, including the State Finance Law (Law). System Administration allows campuses to operate their procurement functions autonomously, but has issued guidelines to ensure goods and services are appropriate (e.g., business related), reasonable (i.e., best value), and, for large-dollar purchases, competitively bid.

To ensure that spending is appropriate and in the best interest of the State, the law and various policies and procedures set requirements. SUNY established Policy 7553 Purchasing and Contracting, which provides that State-operated campus purchases should be both reasonable (e.g., best value) and appropriate (e.g., business related). The State Procurement

Card Guidelines details allowable and restricted purchases using a State Procurement Card (p-card). For example, travel, entertainment, staff morale and recognition, and gasoline are some of the types of expenses not allowed to be purchased using p-cards. To further ensure reasonableness of purchases, Buffalo has established that small-dollar purchases of \$5,000 and less require a quote or product specification, and purchases between \$5,001 and \$50,000 require two or three quotes. Purchases above \$50,000 require sealed bids, and the Office of the State Comptroller (OSC) currently reviews and approves non-construction-related services contracts exceeding \$50,000, all leases, and revenue contracts exceeding \$50,000.

According to the Law, contracts should be awarded consistent with the best interest of the State. Procurement decisions should give priority to preferred sources. When services are not available from these sources, Buffalo may procure services independently. If the procurement is “sole source” (only one supplier is able to provide the service/goods) or “single source” (one vendor is selected over others), Buffalo should justify and document the selection of the vendor and establish the reasonableness of the price. Buffalo has also established contract compliance guidelines that require each department to oversee their contracts.

Internal controls are key during the procurement process. Separation of duties during the purchasing cycle is an area where these key controls can minimize the risk of inappropriate, unauthorized, or fraudulent activities. Monitoring is the ongoing evaluation of internal control components, either individually or as a whole system, to ascertain whether they are present and functioning. Supervisors should monitor all activities and transactions in their unit to ensure that staff members are performing their assigned responsibilities, control activities are functioning properly, the unit is accomplishing its goals, the unit’s control environment is appropriate, communication is open and sufficient, and risks and opportunities are identified and properly addressed. Management should establish procedures to monitor the functioning of control activities and the use of control overrides. Effective monitoring gives management the opportunity to correct any control activity problems and to control the risk before an unfavorable event occurs.

Audit Findings and Recommendations

By its very nature, procurement is an area of operations inherently vulnerable to waste and abuse. We determined Buffalo needs to improve controls over its procurement process to ensure that funds are spent appropriately and in its best interest. Our review of \$8 million in Buffalo spending between April 2016 and September 2018 identified \$895,839 in questionable transactions. Poor monitoring of spending and contracting practices by Buffalo resulted in, among other issues, lost opportunities for cost savings and cost avoidance, overcharges by vendors, and questionable purchases (e.g., lacking support for appropriateness and/or reasonableness of price). Buffalo agrees with most of our concerns and has indicated it will make improvements.

Research-Related Administrative Services by Buffalo Foundation Activities, Inc.

During our review period, Buffalo engaged in transactions totaling nearly \$1 million with University at Buffalo Foundation Activities, Inc. (UBF). Based on our review of a sample of transactions totaling \$368,622, we identified internal control weaknesses, such as purchases made despite no formal agreement in place, a lack of sole source justification and of documentation for services provided, and inadequate separation of procurement-related duties. These transactions included payments for research-related administrative services (such as grant writing supporting Buffalo's research grants) that were provided by ten UBF and Research Foundation (RF) employees and one Buffalo employee.

UBF is an affiliate of the University at Buffalo Foundation, Inc. (Foundation). Buffalo has a current agreement with the Foundation for certain services/activities offered by the Foundation and its affiliates, including UBF. The agreement states that the only support services offered by UBF are payroll and benefit, accounts payable, financial reporting and revenue processing, and related financial services. While Buffalo believed that this existing agreement covered the research-related administrative services, it did not contain specific language to this effect, nor was the agreement established to have any expenditures charged against it. Therefore, Buffalo lacked a formal agreement to allow for these expenditures. In response to our findings, Buffalo stated it will commit to having an agreement for these services in place going forward.

Also, original support for these transactions indicated that the services could only be obtained from one provider (sole source). However, the support did not sufficiently justify the selection of UBF nor the reasonableness of the services value. In response to our concern, Buffalo changed its categorization of UBF from sole source to single source and provided some additional

justification for the selection of UBF. Buffalo officials noted they selected UBF as single source because the employees are already located on site and embedded within the department that sought the services and have direct knowledge of Buffalo and RF processes and systems. However, we encourage Buffalo to complete a more detailed evaluation of the needed administrative services to truly ensure that the price it is paying is reasonable. Buffalo officials stated they will ensure they receive prior approval from OSC for the single-source exemption and the service agreement.

We also found insufficient and inaccurate support for \$54,024 of these transactions. Buffalo either could not support a salary or salary supplement and benefits it paid to UBF (\$29,529) or Buffalo paid twice for services because UBF's support showed duplicate service reporting periods (\$24,495). Going forward, Buffalo officials stated they will ensure salaries for research-related administrative services are adequately documented.

Finally, we found an internal control weakness relating to inadequate separation of procurement-related duties for most of these UBF payments. A UBF employee benefiting from these payments (i.e., the payments are reimbursing the employee's salary) is involved in initiating internal Buffalo payment requests for UBF. This employee is also the point of contact for any questions relating to the payments and their support. Such involvement poses a potential conflict of interest.

Custodial Equipment Maintenance Contract

During our review period, Buffalo paid \$360,579 to Corr Distributors, Inc. (Corr) for custodial equipment maintenance and repair work. Buffalo's contract with Corr was from September 1, 2013 to August 31, 2018 and valued at \$655,000; however, Buffalo fully spent the funds available under the contract in April 2017 and continued to purchase services and goods without properly amending the agreement or conducting a new procurement. We completed a full review of all transactions relating to the agreement for custodial equipment maintenance and repair work and uncovered multiple issues relating to the contract-awarding process, monitoring, and spending, accounting for \$338,257 in questionable payments to Corr.

During the contract-awarding process, Buffalo failed to obtain all information needed to ensure true lowest cost. Buffalo awarded the contract based on low cost – only considering the discount offered by bidders. Each bidder's cost of the custodial equipment parts was never taken into consideration in the awarding of the contract. Further, Buffalo was unable to provide the bidding documentation. As a result, while Buffalo indicated that Corr was the lowest bidder, Corr was able to charge Buffalo for custodial equipment parts

at a significantly higher price – for a majority of our review period, more than 65 percent higher – than the manufacturers’ suggested retail price (MSRP) while Corr obtained the parts at a discount rate below the MSRP. As a result, we determined Buffalo could have potentially saved \$65,220 had it paid the MSRP and other lower prices found online for the parts and materials.

According to Corr and Buffalo, the markup took into account freight costs relating to procuring the parts. However, we question the reasonableness of the markup because Corr’s current distributor of these parts and materials only charges Corr 1 percent of each part’s cost for freight. Going forward, Buffalo officials agreed to consider these cost components in the awarding of the future contract.

We also found Buffalo paid Corr \$180,721 for potentially avoidable repair work and costs for parts and materials attributable to a lack of appropriate preventive maintenance.

- For some equipment, a schedule of preventive maintenance was established in Buffalo’s contract, and Buffalo did not provide essential contract monitoring, including required periodic reviews, to ensure Corr was compliant (accounting for \$59,720 in repair work).
- In other instances, Buffalo failed to add certain equipment to the Corr contract and establish preventive maintenance schedules, ultimately costing Buffalo \$121,001 in repair work – compared with \$11,130 had Corr performed at least annual preventive maintenance.

Furthermore, we determined that an additional \$30,214 in maintenance payments lacked support identifying equipment being repaired, were for a non-custodial equipment maintenance commodity, or represented an overcharge by Corr. As a result of our review, Corr credited \$3,285 in overcharges back to Buffalo as well as an additional \$12,635 for entitled discounts that Corr failed to provide since June 2016. A transition of contract oversight responsibility from one Buffalo employee to another likely played a role in Buffalo’s failure to collect the discounts. Buffalo officials noted that, going forward, they will require discounts be applied at the time of invoicing to reduce the risk of losing discounts owed.

Much of what we identified is likely not recoverable. The pre-established agreement between Buffalo and Corr limits Buffalo’s ability to recover the waste identified. Additionally, the majority of the excess cost identified was due to Buffalo’s poor monitoring of preventive maintenance.

In addition to these expenses, Buffalo paid Corr nearly \$4.3 million for other goods (e.g., cleaning products) and services under six other contracts and

non-contract and p-card spending. We selected an additional \$280,062 of these transactions for further review and found issues with \$62,102, as follows:

- \$42,965 in payments for items purchased through, but that were not part of, the contract;
- \$3,915 in non-contract payments for items that should have been purchased through a contract;
- \$6,396 in overcharges from Corr; and
- \$8,826 in purchases for which we could not determine if the price Corr charged was reasonable.

According to Buffalo officials, they recognize that their manual approach to contract compliance needs improvement and have been in the process of implementing an automated procurement system. They anticipate that, by standardizing the procurement process, the automated system will lead to improved efficiency, effectiveness, compliance, and – ultimately – significant savings.

Other Purchases

While the majority of transactions for which we found issues were with UBF and Corr, we also questioned transactions with other suppliers. We further reviewed approximately \$7 million in p-card and non-contract transactions and found \$188,960 in purchases for which we could not determine reasonableness of price, that were not allowable per policy, or that lacked a business need. Buffalo officials agreed that supporting documentation should be improved to address issues with ensuring reasonableness of price and business need. They indicated that they will continue to educate their staff through ongoing training as well as periodic purchasing reviews.

Recommendations

1. Complete an evaluation of the needed administrative research activities to:
 - Determine the most appropriate procurement method to obtain such services in the best interest of the State;
 - Document selection of vendor and reasonableness of price; and
 - Appropriately contract with the vendor to provide such services.

-
2. Improve internal controls to ensure proper separation of duties and eliminate any potential conflict of interest.
 3. Develop a process for low-bid selection that includes evaluating parts and materials price lists for custodial equipment maintenance and repair services to ensure Buffalo is receiving the true contracted cost.
 4. Improve contract monitoring to ensure:
 - All custodial equipment has been included in the contract and has an established preventive maintenance schedule;
 - Preventive maintenance on custodial equipment is performed on time to minimize the potential cost related to unscheduled repair work and parts and materials;
 - Charges to a contract are appropriate (e.g., related and are priced according to the contract); and
 - Available funding is not exhausted prematurely and proper agency action is taken if contract amendments or new contracts are needed.
 5. Recover the un-recouped overcharges, as appropriate, and review remaining payments to Corr to determine if other overcharges can be recouped.
 6. Ensure procurement procedures are being followed and document purchases appropriately so purchases are business related and goods or services are obtained at a reasonable price.

Audit Scope, Objective, and Methodology

The objective of our audit was to determine whether Buffalo's procurement and contracting practices provide sufficient assurance that funds are spent appropriately, are in the best interest of the State, and adequately safeguard against waste and abuse. Our audit covered procurement and contracting transactions between April 1, 2016 and September 5, 2018, and subsequent information provided by the University at Buffalo through April 5, 2019.

To accomplish our audit objective, we downloaded Buffalo's voucher and p-card expenditures directly from the New York State Financial System for the period April 2016 to September 2018. We found this data to be reliable and further selected a variety of samples of different types of transactions to review. Our first two sets of samples were selected using our judgment. We selected a sample of \$155,797 p-card transactions because they showed signs of potential split ordering, were charged after a cardholder left Buffalo's employment, or were potentially questionable or inappropriate based on the Merchant Category Classification description. Our selection of non-contract transactions totaling \$6,864,142 was based on questionable descriptions of the transactions and their values. We further selected two random samples of p-card (\$49,705) and non-contract (\$224,534) transactions totaling \$274,239. For all these transactions, we requested and reviewed support to ultimately determine if they were appropriate and in the best interest of the State. Upon our review, we found two, totaling \$225,173, to UBF (\$194,000) and Corr (\$31,173) that were of concern. We therefore expanded our review of Buffalo transactions with these two vendors. For UBF, we selected an additional \$174,622 in transactions because they appeared to be payroll related and were high-dollar amounts. Because our concern with the Corr transaction (totaling \$31,173) related to custodial equipment repair, we decided to select and review support for all the remaining similar types of transactions totaling \$329,406. We also reviewed Buffalo's custodial equipment repair contract and supporting documents and assessed whether equipment being repaired was part of the agreement and had established preventive maintenance schedules. Finally, in order to determine if the issues identified with Corr extended to other types of transactions, we selected an additional judgmental sample totaling \$280,062. These transactions were selected because they covered multiple areas (i.e., other contracts) and were some of the most recent in our data. These samples cannot be projected to the population as a whole.

We examined Buffalo's internal controls and assessed their adequacy as they related to our objective. We reviewed applicable policies, procedures, laws, and regulations and interviewed Buffalo staff responsible for procurement and contracting.

Statutory Requirements

Authority

This audit was performed pursuant to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

We conducted our performance audit in accordance with generally accepted government auditing standards. 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions, and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

Reporting Requirements

We provided a draft copy of this report to Buffalo officials for their review and formal comment. We considered their comments in preparing this final report and have included them in their entirety at the end of it. While Buffalo officials commented on report issues they felt needed further clarity, they agreed with many of the report's recommendations. Our responses to Buffalo comments are included in the report's State Comptroller's Comments.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the President of University at Buffalo shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

Agency Comments



August 7, 2019

Division of State Government Accountability
Office of the State Comptroller
110 State Street
Albany, New York 12236

Division of State Government Accountability,

Thank you for the opportunity to provide comments to the draft audit report on the University at Buffalo's Procurement Practices (2018-S-37). The University at Buffalo (UB) has a responsibility to provide affordable, high quality education, and our Procurement Services (Procurement) play an integral role in meeting that responsibility. We are pleased to note that our Procurement program is operating as intended; however, UB aims for operational excellence and continuous improvement.

UB's Procurement Services is committed to providing professional and value-added service to UB staff and suppliers. In our quest for continuous improvement, UB is implementing an automated procurement system known as Shop Blue. This system will automate a number of internal controls, such as comparing the invoices with the agreed contract pricing and ensuring that departments appropriately purchase goods from a negotiated contract. UB anticipates that this will lead to significant savings by standardizing the procurement process, leading to improved efficiency, effectiveness, and compliance with New York State law.

The Office of the State Comptroller (OSC) staff worked for over a year on this audit, which included an audit scope of a little over two years and numerous site visits at our campus. While we appreciate the comprehensive audit work done by OSC and agreed with many of the recommendations, we are concerned that the draft report overstates the impact of these findings:

- The Draft Audit Report claims that there is \$895,839 in questionable transactions. While we agree that there is an opportunity to improve our documentation and internal processes, all purchases tested benefited UB and the UB community. There is no evidence that purchases were inappropriate or fraudulent.
- The Draft Audit Report did not note that OSC approved the \$368,622 research related administrative transactions between UBF and UB. Additionally, OSC approved more than fifty similar transactions over a five-year period. OSC informed UB that it would stop approving these transactions in the fall of 2018 and

[* Comment 1](#)

[* Comment 2](#)

UB had agreed to discontinue the previously approved process. The change in process occurred prior to the audit test work conducted. OSC did not note that UB had already stopped the transactions.

- The Draft Audit Report cites that for the period of review, Corr’s price list resulted in UB overpaying the manufacturer’s price by 65% or \$65,220. The Draft Audit Report neglected to mention that the Corr pricing list consisted of over 100,000 items. Manually comparing all 100,000 items is cost prohibitive, particularly when comparing multiple contracts. However, the implementation of the new procurement system will automate cost comparisons.
- The Draft Audit Report indicated that there were \$338,257 in questionable payments to Corr. The breakdown of the payments is unclear from the preliminary findings and the report; UB was unable to recalculate it.
- The Draft Audit Report indicates that UB failed to obtain all information needed to ensure true lowest cost for the Corr Distributors contract. There is no evidence that UB failed to obtain all the information at the time of the bidding process. The contract bid process occurred in 2013 and the documents dating back to 2013 were not available for the auditors to review. UB previously recognized that the record retention process was inadequate and implemented a more robust record retention process in 2017.

[* Comment 3](#)

[* Comment 4](#)

In addition, we observed that the Draft Audit Report contains factual errors that require correction. Our Management Action Plans in response to the findings and recommendations of the report follow.

Factual Errors within the Draft Audit Report

[* Comment 5](#)

1. Page 1 – The opening paragraph of the Draft Audit Report states that the audit covered the period April 1, 2016 – April 5, 2019. However, pages 7 and 12 state that the audit covered the period April 2016 – September 2018.
2. Page 1 & 5 – When explaining UB’s program, OSC states that UB serves more than 21,000 students and employs nearly 2,500 faculty. This is incorrect. UB serves more than 31,000 students and employs more than 2,500 faculty. http://www.buffalo.edu/home/ub_at_a_glance.html
3. Page 6 – OSC wrote that, “...OSC currently reviews and approves all contracts exceeding \$50,000.” This is not accurate. OSC approves non-construction related service contracts exceeding \$50,000; all leases; and revenue contracts exceeding \$50,000.

Management Action Plans

Research Related Administrative Services

As noted above, UB had already agreed to discontinue the research- related administrative transactions in the fall of 2018. Going forward, UB commits to written service agreements for future research-related activities. We strongly anticipate that these written service agreements will be single source for the following reasons:

- The UBF employees are already located onsite and embedded within the department;
- The employees have direct knowledge of UB and the Research Foundation processes and systems;
- The pricing structure is cost recovery without any mark-up unlike other external providers;

UB will obtain OSC's approval for the single source exemption and the service agreement. UB will ensure that there is adequate documentation for the service agreement, the cost components of the service agreement, and single source exemption. UB will ensure that there is a meaningful review of the service agreement to ensure there is no conflict of interest.

Custodial Equipment Maintenance Contract

As noted above, UB is in the process of implementing a procurement system that will enhance our monitoring controls. This procurement system, Shop Blue will provide automated monitoring tools including:

- Reconciling pricing lists and invoices
- Availability of funds
- Notification of discounts

Shop Blue will address many of the shortcomings inherent in manual oversight.

The contract with Corr Distributors, Inc. ended as of August 31, 2018, as identified in the Draft Audit report. UB bid out the service, and Corr Distributors presented the winning bid. UB performed a cost comparison of more than 50 repair parts, and Corr was the lowest bidder. The Attorney General and OSC recently approved the contract. In accordance with the Procurement retention procedures implemented in 2017, all bidding documents are retained in a central, shared folder.

Facilities will review all invoices, prior to payment, to ensure accurate billing. Facilities staff will retain documented evidence that preventative maintenance occurs in a timely manner.

Procurement staff will also review the Corr contract quarterly for reasonableness and accuracy.

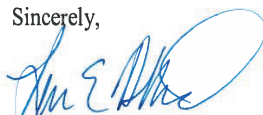
Other Purchases

UB is pleased that the error rate for the p-card and non-contract purchases was less than three percent. UB will continue to build on our successful training program and provide on-going procurement training to UB employees to reduce error rates.

Where the report has identified recommendations, UB will consider the recommendations and make the necessary improvements. UB appreciates OSC's comprehensive audit work.

If you have any questions, please contact me.

Sincerely,



Laura Hubbard
Vice President Finance & Administration
University at Buffalo

cc: Satish Tripathi
Kara Kearney-Saylor
Eileen McLoughlin
Amy Montalbano

State Comptroller's Comments

1. In calling out the year-long duration of this audit, Buffalo officials fail to acknowledge the role they themselves played: specifically, their failure to provide requested documentation in a timely manner, taking up to two months in one instance, and their delay in responding to our requests for meetings, which took numerous weeks to schedule.
2. For the reasons noted in the report, we still consider the \$895,839 as questionable transactions. While Buffalo states that the purchases benefited Buffalo and the Buffalo community, Buffalo did not provide adequate support for this assertion. Furthermore, we did not report that purchases were fraudulent. Rather, as stated on page 7 of the report, we identified them as “lost opportunities for cost savings and cost avoidance, overcharges by vendors, and questionable purchases (e.g., lacking support for appropriateness and/or reasonableness of price)” – and all attributable to poor monitoring of spending and contracting practices by Buffalo.
3. Our preliminary findings to Buffalo included a clear, detailed listing of the payments in question. We urge Buffalo officials to revisit this document to quell their persisting confusion.
4. Buffalo takes issue with our reporting that it did not obtain all information needed to ensure true lowest cost and was unable to provide bidding documentation, but fails to address the larger issue – that, as noted on page 8, in awarding the custodial contract, Buffalo only considered the discount offered by bidders and did not factor in each bidder’s costs of custodial equipment parts. Corr may have been the lowest bidder, but its higher prices for equipment parts – significantly more than the MSRP – ultimately rendered the contract as not “low cost” at all.
5. Certain changes were made to the report for further factual accuracy.

Contributors to Report

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