

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF BOSTON UNIVERSITY'S
PROCUREMENT PRACTICES FOR
FEDERALLY FUNDED EQUIPMENT**



**JUNE GIBBS BROWN
Inspector General**

**MAY 1999
A-01-99-04001**

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CIN:A-0 1-99-0400 1

Mr. John Imbergamo
Comptroller, Assistant Vice President
Office of Vice President for Financial Affairs
Boston University
88 1 Commonwealth Avenue
Boston, MA 02215

Dear Mr. Imbergamo:

This final report presents the results of our audit of the procurement practices for federally funded capital equipment at Boston University (University). The objective of this audit was to determine whether the practices in place provide for economic and efficient procurement of federally funded equipment. Specifically, our audit focused on (1) the University's selection process for the vendor; (2) justification for the basis of the award; and (3) the rationale for any purchases not made directly from the equipment manufacturer.

We found that the University's practices are adequate to provide for economic and efficient procurement of federally funded equipment. We reviewed 30 purchase orders for federally funded equipment purchases in fiscal year 1998. The University provided documentation for the basis for the awards, including written justification in the case of sole source procurements.

INTRODUCTION

BACKGROUND

The University is a private nonprofit institution of higher education and research located in Boston, Massachusetts. The University maintains two campuses; the main Charles River campus and a separate medical school campus. With more than 30,000 students from all 50 states and 135 countries, it is the third largest independent university in the United States.

In its fiscal year (FY) ended June 30, 1998, University expenditures for Federal research and training grants exceeded \$145 million. Of this amount, approximately \$84 million was related to Department of Health and Human Services (DHHS) programs.

OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this audit was to determine whether the University has procurement practices in place to provide for economic and efficient acquisition of federally funded equipment.

Specifically, we determined whether selected purchases of federally funded equipment were adequately supported by documentation to justify the basis for the vendor selection, particularly where competitive bids were not obtained. We also considered whether the University achieves economy by purchasing federally funded equipment directly from the manufacturer rather than through a distributor or other middleman.

Our audit covered the period July 1, 1997 through June 30, 1998. Our audit was limited to reviewing items selected from the \$3.8 million universe of FY 1998 federally funded equipment purchase transactions at the Charles River Campus. Our audit did not include equipment purchases for the medical school. We judgmentally selected 30 purchase orders for review based on factors including the dollar value of the asset purchased and corresponding amount charged to a federal grant. Our sample of 30 purchase orders included the purchase of 57 assets charged to federal grants in the amount of approximately \$1.8 million. To accomplish our objective, we:

- ◆ reviewed policies and procedures pertaining to the University's procurement practices;
- ◆ reviewed the University's FY 1998 audit report issued in accordance with the Office of Management and Budget (OMB) Circular A- 133, *Audits of States, Local Governments, and Nonprofit Institutions*;
- ◆ obtained a listing of all transactions involving purchases of federally funded equipment in FY 1998 and reconciled the listing to the general ledger and property management system;
- ◆ sorted and analyzed the universe of FY 1998 equipment procurement transactions to segregate purchases by dollar value, account charged, federal funding agency, and vendor;
- ◆ judgmentally selected a sample of 30 purchase orders for review based on factors such as dollar value of the asset and federal amount charged, the funding agency, the vendor name, and the type of equipment; and
- ◆ reviewed documentation for the 30 purchase orders to determine the basis for the award and the justification for any sole source procurements; and obtained the rationale for any purchases not made directly from the equipment manufacturer.

We conducted our audit in accordance with generally accepted government auditing standards. We performed field work at the Charles River Campus, during the period January through March 1999, and discussed the results of our audit with University officials on April 6, 1999.

RESULTS OF AUDIT

We found the University's practices provide for the economic and efficient procurement of federally funded equipment. The bases for the vendor awards were adequately documented. The purchase order files contained evidence of vendor competition, or the Principal Investigator's written justification where competitive bids were not obtained. Purchases were generally made directly from the equipment manufacturer. The following table identifies the range of equipment purchases by asset value contained in both the universe and our sample selected for review:

Summary of Universe and Sample of FY 1998 Federally Funded Equipment Purchases						
	Universe of Federally Funded Equipment Purchases			Sample Selection of 30 Purchase Orders		
Dollar Value of Equipment Item (Note 1)	No. of Items Purchased	Amount Charged to Federal Grants (Note 2)		No. of Items Purchased	Amount Charged to Federal Grants	Percent of Universe Values
\$200,000 +	1	\$790,790		1	\$790,790	100%
100,000 <200,000	3	241,732	I I	2	232,706	96%
50,000 <100,000	7	388,472		3	234,192	60%
25,000 < 50,000	24	371,007		5	146,762	40%
10,000 < 25,000	53	632,419		14	202,308	32%
5,000 < 10,000	101	501,086	I	26	148,424	30%
1,000 < 5,000	407	853,618		6	22,397	3%
Totals	596	\$3,779,124		57	\$1,777,579	47%

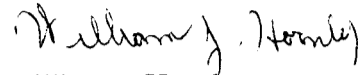
Notes:

- (1) The dollar value of the equipment item includes amounts charged to all funding sources. Subsequent to fiscal year ended June 30, 1998, the University changed its equipment capitalization threshold from \$1,000 to \$5,000.
- (2) Our sample was selected from this universe. The University later provided a corrected universe of \$3,823,215.

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If you have any questions or comments, please address them to the action official named below. Please refer to Common Identification Number A-01-99-04001 in all correspondence to this report.

Sincerely,



William J. Hornby
Regional Inspector General
for Audit Services

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