PROJECT SUMMARY

Processes and controls for procuring goods and services through the Department of Strategic Sourcing and Procurement Services (Procurement Services) at Texas A&M University provide reasonable assurance that purchases are made efficiently and effectively and in compliance with laws, policies, regulations and rules. Procedures are in place for reviewing and monitoring purchases for compliance with purchasing requirements including sole source purchase justifications. Additional purchasing efficiencies could be gained by increasing the use of the University’s recently implemented AggieBuy system.

Implementation of the AggieBuy system has automated much of the University’s procurement process and generates cost savings by leveraging the volume of University purchases to negotiate a lower contract rate with vendors. The number and dollar amount of purchase orders processed per month using AggieBuy has increased from 2,309 purchase orders totaling $3.1 million in January 2011 to 6,727 totaling $10.4 million in January 2012. In fiscal year 2011, approximately 50% ($140 million of $275 million) of the goods and services purchased by the University were processed through Procurement Services of which $80 million was purchased using the AggieBuy system.

OBSERVATION, RECOMMENDATION, AND RESPONSE

AggieBuy System

Observation

Further implementation of the AggieBuy system will allow for additional efficiencies in the procurement process.

Increased economy and efficiency within the University’s procurement process could be achieved by further implementing and increasing the usage of the AggieBuy system. Increasing the number of contracts available within AggieBuy would provide more options for buyers and consequently increase the number of University departments using the system. This would further leverage buying power and result in additional savings for departments. Additionally, Procurement Services would have
more detailed purchasing information to use to negotiate better contract prices with vendors.

Procurement Services currently has 530 active vendor contracts of which only 140 (26%) have been entered into the AggieBuy system. Due to limited resources the primary focus has been to get the AggieBuy system up and running and train departments. The next phase will focus on increasing the number of contracts in AggieBuy and increasing department use of the system. The goal is to have all of the contracts entered into AggieBuy by the end of fiscal year 2012.

Although the use of AggieBuy has grown significantly since its inception in February 2010, certain University departments have not yet begun using this system due to a variety of reasons as follows:

- Lack of time and resources within Procurement Services for converting additional University departments to this system. Resources needed to implement the new travel system, Concur, impacted implementation of the AggieBuy system.
- Hesitation and resistance by some University departments to change from current procurement processes.
- The inability for some University departments to make purchases through AggieBuy with funds from other System members who are not currently licensed to use AggieBuy (e.g. AgriLife and TEES).

In addition, some departments feel the process of making a purchase using AggieBuy takes too long and has too many approval steps compared to making a purchase with a procurement card. According to discussions with Procurement Services staff, the AggieBuy system has the ability to set up approval processes similar to procurement card purchases. In addition, departmental approvers could be provided a monthly report generated out of the A&M System Business Objects Data Warehouse, which captures AggieBuy transactions for
subsequent review similar to current procurement card monthly review processes.

A formal analysis of potential cost savings from the use of AggieBuy has not been performed; however, SciQuest, the vendor for the AggieBuy system, indicates that their on-demand, e-procurement solutions can drive savings of five cents to twenty cents per dollar of purchases based on recent industry data. Thus, further increasing the use of AggieBuy could potentially result in a significant amount of cost savings given the magnitude of purchases made annually by the University. These savings would help Procurement Services acquire quality goods and services at the best value for the University community and be recognized for innovative approaches to sourcing, developing strategic alliances, and utilizing a progressive model of best practices.

Recommendation

Reassess current resources needed to fully implement the AggieBuy system given the potential cost savings generated from the use of this system. Address the specific barriers identified above, as feasible, to further increase the usage of the system. In addition, continue to work with other System members to allow AggieBuy to process University purchases partially funded by these System members. Consider developing a formal process to document and track savings from purchases made through the AggieBuy system.

Management’s Response

To fully implement the AggieBuy system, all departments will be converted to AggieBuy and additional vendor contracts will be available for use by October 31, 2012. With the roll out of the travel system to the campus community complete, Procurement Services in coordination with training and security resources will be better positioned to devote efforts to set up and train all remaining Part 02 departments on AggieBuy. The majority of vendor contracts will be available in AggieBuy as Procurement Services’ goal is to have 90% of the currently existing contracts entered by October 2012. Efforts will be ongoing to add any remaining and new contracts.

The increased number of vendor contracts available will allow for greater usage of the AggieBuy system. Additionally, Procurement Services will establish an October 31, 2012 deadline for accepting FAMIS-generated requisitions. Requisitions submitted after the established date will be returned to the department with a request to resubmit within AggieBuy.
Procurement Services will continue to work with other System members that don't utilize AggieBuy to determine efficient ways to process University purchases that are partially funded by the other member. The current option is a “work-around” requiring the end user to work in two separate systems. Other alternatives are being explored.

Procurement Services will continue to consider possible approaches to formally track savings through the use of the AggieBuy system.

BASIS OF REVIEW

Objective and Scope

The review of procurement services at Texas A&M University focused on compliance with purchasing requirements for selected purchases made through the University’s Procurement Services department, including sole source purchases. This did not include purchases less than $5,000 or certain other exempt purchases made by departments that are not processed through Procurement Services. In addition, an analysis of purchasing data was performed to identify unusual or potentially fraudulent purchases. The use of the AggieBuy system was also reviewed for economy and efficiency within the purchasing process. The audit period focused primarily on activities from September 2010 to January 2012. Fieldwork was conducted from March to May 2012.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System, Texas A&M University Rules and procedures, and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.
Background

The Texas A&M University Department of Strategic Sourcing & Procurement Services oversees University purchases greater than $5,000. Procurement Services has delegated to departments the authority to make purchases of goods, commodities, and services of $5,000 or less. In addition, some departments within the University, such as Dining Services and Facilities Services, have been delegated the authority to purchase some items over $5,000 without these purchases being processed through Procurement Services. Procurement Services has negotiated master orders with many specific vendors that all departments may use to take advantage of the University’s purchasing power. Further leveraging of this purchasing power is currently underway with the implementation of the AggieBuy system which began in 2010. In fiscal year 2011, approximately 50% ($140 million of $275 million) of the goods and services purchased by the University were purchased through Procurement Services of which $80 million was purchased using the AggieBuy system.

AUDIT TEAM INFORMATION

Charlie Hrncir, CPA, Director
Brian Billington, CPA, Audit Manager
Danielle Carlson, CPA
Jacob Hroch

DISTRIBUTION LIST

Dr. R. Bowen Loftin, President
Dr. Karan L. Watson, Provost and Executive Vice President for Academic Affairs
Dr. Rodney P. McClendon, Vice President for Administration
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Mr. Charley Clark, Associate Vice President for University Risk and Compliance