



Performance Audit

Bloomsburg University of Pennsylvania

**Commonwealth of Pennsylvania
State System of Higher Education**

September 2012

September 28, 2012

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Dear Governor Corbett:

This report contains the results of a performance audit of Bloomsburg University of Pennsylvania of the State System of Higher Education from July 1, 2007 to October 15, 2010. We conducted our audit under authority provided in Act 188 of 1982 (24 P.S. § 20-2015-A), which states, “Activities of the system under this article shall be subject to the audit of the Department of the Auditor General.” The audit was also conducted under the authority provided in Section 402 of The Fiscal Code and in accordance with generally accepted government auditing standards.

The report details our audit objectives, scope, methodology, findings and recommendations. The report notes instances where Bloomsburg University failed to comply with certain provisions of Pennsylvania State System of Higher Education and Commonwealth procurement policies and procedures. In addition, the report indicates that Bloomsburg University did not have sufficient management controls over its work order system. Finally, the report indicates that Bloomsburg University failed to provide adequate control over the purchasing of materials and supplies by its maintenance shops.

We discussed the contents of this report with management of Bloomsburg University, and all appropriate comments are reflected in the report.

Sincerely,

JACK WAGNER
Auditor General

**Bloomsburg University of Pennsylvania
Pennsylvania State System of Higher Education**

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**Background
Information**

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**Background
Information**

*History, mission,
and operating
statistics*

Pennsylvania State System of Higher Education

Pennsylvania's 14 state-owned universities are part of the Pennsylvania State System of Higher Education, generally referred to in this report as the State System. Prior to the enactment of Act 188 of 1982 that created the State System,¹ the Pennsylvania Department of Education had administrative control of the 14 institutions, 13 of which were then known as state colleges.²

The purpose of the State System is to provide students with the highest quality education at the lowest price. The 14 universities include Bloomsburg, California, Cheyney, Clarion, East Stroudsburg, Edinboro, Indiana, Kutztown, Lock Haven, Mansfield, Millersville, Shippensburg, Slippery Rock, and West Chester. The State System also includes four branch campuses, the McKeever Environmental Learning Center, and the Dixon University Center.

A centrally established 20-member board of governors has overall responsibility for planning and coordinating the operation and development of the State System. Examples of the board's statutory powers include establishing broad fiscal, personnel, and educational policies under which the State System universities operate; appointing university presidents; coordinating, reviewing, amending, and approving university operating and capital budgets; setting tuition and fee levels; creating new undergraduate and graduate degree programs; and promoting cooperation among institutions. Members of the board include legislators, State System university students and trustees, and members of the public. Pennsylvania's governor and the state's secretary of education, or their designees, also serve on the board. Additionally, the board appoints a chancellor to serve as the chief executive officer of the State System.

At the university level, each president and council of trustees have certain powers and duties unique to their individual institutions.

¹ 24 P.S. § 20-2001.

² Indiana University of Pennsylvania was already known as a university prior to creation of the State System. Effective July 1, 1983, each of the other 13 state colleges became known as the (Name) University of Pennsylvania of the State System of Higher Education.

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Bloomsburg University

The Bloomsburg University of Pennsylvania, which we will also refer to in this report as Bloomsburg or the university, is located in the town of Bloomsburg near the Susquehanna River and Interstate 80, Columbia County. It was originally established in 1839 as an academy to teach youth the elements of a classical education. Currently, Bloomsburg is a coeducational institution serving approximately 8,600 students of diverse backgrounds from Pennsylvania, its surrounding states, and foreign countries. To its community and region, the university is an artistic and educational resource that serves a broad range of community need in education, health care, business-related services, library resources, and cultural activities.

Bloomsburg University's website presents this statement to describe its mission:³

Bloomsburg University of Pennsylvania is an inclusive comprehensive public university that prepares students for personal and professional success in an increasingly complex global environment.

Also on its website, Bloomsburg presents this statement to describe its vision:⁴

Bloomsburg University aspires to:

- *Be a premier public comprehensive university, recognized as a center of thinking, learning, and academic excellence.*
- *Anticipate and address the changing needs of the Commonwealth.*
- *Be a diverse community that produces positive change.*
- *Provide resources to maximize opportunities for success.*
- *Be a good steward of our resources and the environment.*
- *Develop individuals to be contributing citizens.*

³ <http://www.bloomu.edu/strategic>. accessed May 30, 2012.

⁴ Ibid.

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Bloomsburg is academically accredited by the Middle State Association of Colleges and Schools, the National Council for Accreditation of Teachers Education, and other professional organizations.

The Joint State Government Commission compiled the following select operating statistics for fiscal years ending June 30, 2008, 2009, and 2010, for Bloomsburg University and the State System.⁵

	Bloomsburg University			State System of Higher Education (State System)		
	Fiscal year ended June 30,			Fiscal year ended June 30,		
	2008	2009	2010	2008	2009	2010
<i>State Instructional Appropriations (rounded in millions)</i>	\$36.9	\$36.4	\$33.5	\$479.8	\$473.1	\$439.1
Percentage of State System total	7.7%	7.7%	7.6%	100.0%	100.0%	100.0%
<i>Full-Time Equivalent Students :</i>						
Undergraduate	7,781	7,953	8,482	93,927	94,770	98,075
Graduate	<u>675</u>	<u>662</u>	<u>789</u>	<u>10,795</u>	<u>11,148</u>	<u>11,967</u>
Total	<u>8,456</u>	<u>8,615</u>	<u>9,271</u>	<u>104,722</u>	<u>105,918</u>	<u>110,042</u>
Percentage of State System total	8.1%	8.1%	8.4%	100.0%	100.0%	100.0%
<i>Full Time Equivalent Instructional Faculty:</i>	424	436	457	5,416	5,491	5,548
Percentage of State System total	7.8%	7.9%	8.2%	100.0%	100.0%	100.0%
<i>Degrees Conferred:</i>	1,889	1,889	1,977	22,169	23,256	23,513
Percentage of State System total	8.5%	8.1%	8.4%	100.0%	100.0%	100.0%

⁵ <http://jsg.legis.state.pa.us/resources/documents/ftp/documents/2011%20INSTRUCTIONAL%20OUTPUT.pdf>
 accessed on September 12, 2011, verified on May 14, 2012.

**Audit
Objectives and
Methodology**

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**Objectives and
Methodology**

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.

Our performance audit of Bloomsburg University included an assessment of the following objective areas: Campus security; significant university expenses; bonuses; and miscellaneous revenues. Our initial reviews and examinations in these objective areas did not disclose any weaknesses that warranted additional audit procedures being performed.

However, our assessments of the following two objective areas did disclose reportable conditions which are discussed in the audit results section of this audit report.

- One Determine whether the university complied with the Pennsylvania State System of Higher Education's Manual and Commonwealth's Procurement Handbook for contract procurement and monitoring.
- Two Determine if university processed work orders effectively and to also determine if management had adequate controls over the purchasing of materials and supplies used to complete work orders.

Unless indicated otherwise, the scope of the audit was from July 1, 2007, through October 15, 2010.

To accomplish our objectives, we obtained and reviewed records and analyzed pertinent policies, agreements, and guidelines of the Commonwealth, the Pennsylvania State System of Higher Education, and Bloomsburg University. In the course of our audit work, we interviewed various university management and staff. The audit results section of this report contains the specific inquiries, observations, tests, and analyses conducted for each audit objective.

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We also performed inquiries and tests as part of, or in conjunction with, our current audit to determine the status of the implementation of the recommendations made during our prior audit related to credit card marketing on campus.

**Audit
Results**

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Audit Results

In the pages that follow, we have organized our audit results into two sections, one for each objective. Each of the two sections is organized as follows:

- Statement of the objective
- Relevant policies and procedures
- Methodologies used to gather sufficient evidence to meet the objective
- Finding(s) and conclusion(s)
- Recommendation(s), where applicable
- Response by Bloomsburg University management, if applicable
- Our evaluation of Bloomsburg University management's response, if applicable

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Contracts**

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**Audit Results
for
Objective
One**

The objective

Objective one for our performance audit was to determine whether the university complied with the Pennsylvania State System of Higher Education's Manual and Commonwealth's Procurement Handbook for contract procurement and monitoring.

Service Contracts

Relevant policies and procedures

Bloomsburg University contracts with various vendors to provide a variety of goods and services. The Pennsylvania State System of Higher Education (PASSHE) has established a procurement manual for the purchase of goods and services and the manual outlines the monetary thresholds and procedures for formal bidding.⁶ In addition, the PASSHE manual requires the university to comply with the Commonwealth's Procurement Handbook that establishes policy for contract procurement and monitoring.⁷

The Commonwealth's Procurement Handbook provides a standard approach and establishes policy and procedures for the procurement of supplies, services, and construction, under the authority of Act 57 of 1998. These policies establish that contracts for goods and services procured under \$5,000 do not need to be bid, contracts exceeding \$5,000 but less than \$10,000 should be procured through obtaining three informal bid quotes, and contracts exceeding \$10,000 should be procured using the formal bidding method.⁸

⁶ PASSHE Manual For Preparing and Processing Contracts For Goods and Services, Section IV, Methods of Source Selection.

⁷ Commonwealth of Pennsylvania, Department of General Services, On-line Procurement Handbook, http://www.dgs.state.pa.us/portal/server.pt/community/procurement_handbook/14304. viewed June 15, 2010, verified May 18, 2012.

⁸ Ibid.

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Scope and Methodologies

In order to accomplish our objective, we performed the following steps:

- We reviewed the PASSHE Procurement Manual for the purchasing of goods and services and monetary thresholds for formal bidding, and the Commonwealth's Procurement Handbook.
- We interviewed appropriate university personnel who were involved in the process of procuring and monitoring service purchase contracts.
- Using professional judgment, we selected 66 of the 1,097 contracts executed between July 1, 2007, and June 30, 2010 and reviewed procurement documentation to determine if the university complied with PASSHE and Commonwealth procurement policies.
- We also determined if the selected contracts were properly monitored and that goods and services were provided in accordance with the provisions of the contracts.

The 66 contracts selected for review included: 14 contracts issued in amounts exceeding \$10,000, 19 contracts issued for dollar amounts between \$5,000 and \$10,000, and 33 contracts issued for amounts less than \$5,000.

Our review of documentation provided by the university for the 14 contracts issued in amounts exceeding \$10,000 found that all were procured, approved, and monitored, in accordance with PASSHE and Commonwealth procurement policies.

Our review of documentation supporting the procurement of the 19 contracts awarded between the values of \$5,000 and \$10,000 found that the university failed to solicit three telephone bids for 17 of these contracts. (See Finding 2 of this report) We also found that six of these 17 contracts totaling \$37,427 were issued to a single vendor. Our review of the 33 contracts that were issued for less than \$5,000 in goods and/or services found that 13 of these contracts were procured, approved, and monitored, in accordance with Commonwealth procurement policy. However, the other 20 contracts were issued to one

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single vendor for a combined total of \$19,304. This area of non-compliance with policy is detailed in Finding 1.

Finding 1

Bloomsburg University appears to have circumvented procurement policy by issuing 26 contracts totaling \$56,731 to a single vendor.

Our audit found that over our three year audit period, 26 contracts totaling \$56,731 were issued to one vendor who provided various signs that were posted throughout the university campus. Based on our review of procurement documentation, it appears that the awarding of several small contracts to a single vendor meets the definition of a serial contract.

The definition of a serial contract is provided in the PASSHE Procurement Manual:

A serial contract is one of a series of separate contracts, each for the same kind of goods and/or services, which can have the effect of improperly avoiding the five thousand dollar limit on certain types of contracts which would not otherwise require legal review, or the ten thousand dollar limit on contracts which do not require bidding. If services from a single contractor within a fiscal year will obviously add up to more than ten thousand dollars, writing several lower individual contracts to avoid bidding is illegal.⁹

According to PASSHE policy, the dollar threshold for contracts to be awarded to a single vendor for the same goods or services without formally or informally bidding on an annual basis is \$10,000. Our review determined that Bloomsburg issued contracts in excess of \$10,000 to this vendor in two of the three years we reviewed.

The following table shows the dollar values, by fiscal year, of the contracts issued to this vendor.

⁹ PASSHE Manual For Preparing and Processing Contracts For Goods and Services, Section IV, Methods of Source Selection, Section J, Serial Contracts.

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Total number of contracts Issued to the Same Single Vendor For Fiscal Years Ending June 30, 2008, 2009, and 2010					
June 30, 2008		June 30, 2009		June 30, 2010	
No. of Contracts	Dollar Amount	No. of Contracts	Dollar Amount	No. of Contracts	Dollar Amount
1	\$185	1	\$650	1	\$760
2	1,368	2	2,498	2	1,547
3	5,600	3	865	3	1,481
4	1,466	4	725	4	9,930
5	392	5	140	5	5,350
6	5,247			6	6,186
7	236			7	1,225
8	5,114			8	3,160
9	208			9	468
10	587			10	1,280
11	63				
Total	\$20,466		\$4,878		\$31,387

Also, the university did not exercise prudent business practices in accordance with another policy provision. Specifically, the university issued six contracts (highlighted in the chart above) to this vendor in amounts exceeding \$5,000 but less than \$10,000, without obtaining at least three informal or telephone bids.

While the chart clearly demonstrates that none of the contracts issued to this vendor on an individual basis exceeded the \$10,000 threshold that would have required a formal bid, during the 2007-2008 and 2009-2010 fiscal years, the collective amount of contracts issued to this vendor did exceed the \$10,000 threshold.

When we questioned university management about this issue, they stated that they did not formally bid for these services because this vendor was the only vendor in the local area who provided this type of service. However, our research did not support this claim. We contacted another vendor capable of providing the same type of service and who was located in the same geographical area. This vendor stated that he would have

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submitted a bid if he had he been given the opportunity by the university to do so.

Since university management did not seek competitive bids, they could not ensure that they received the best possible price for the goods provided by this vendor.

**Recommendation
for Finding 1**

1. Bloomsburg University should comply with the established policies for competitively bidding contracts. Specifically, university management should formally seek competitive bids if payments to a single vendor are anticipated to exceed the competitive bidding limit based on past history or current circumstances.

Comments from Bloomsburg University:

Of the 26 contracts in question only six were over the \$5,000 informal bid threshold. Of those six, PO 4500167082, in the amount of \$5,600, was not bid due to insufficient time for bidding based upon the project deadline date. Our experience with sourcing of signage to meet University requirements during the timeframe of the audit did not yield other viable sources within the geographical area. We welcome any specifics as to other vendors the audit team may have located who may be qualified for future signage work. As to the appearance of serial contracting to avoid the bidding threshold, that was not the intent nor outcome as the PO's in question have significant lapses in time of issuance and the statements of work are markedly different.

As the scope, materials, and design of each of the signage requirements is typically unknown far enough in advance and varies with each job, it is not feasible to solicit via a typical bidding process.

Subsequent to this audit we have conducted training with all requisitioners and purchasing personnel on bidding requirements and have formalized those requirements on our website as listed below:

<http://www.bloomu.edu/purchasing/how-to>

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Our evaluation of Bloomsburg University's response:

At the exit conference we provided university officials with the name and address of the vendor that we talked to who expressed interest in bidding on the signage contract. We also provided information on additional vendors in the area that we located during our research. Effective July 1, 2012, the formal bidding requirement dollar thresholds was increased from \$10,000 to \$18,500 for project contracts, equipment, services, and supplies. Therefore, future contracts with the vendor in question may not meet the threshold requiring formal competitive bidding, but we continue to recommend that Bloomsburg solicit informal bids when feasible to ensure transparency and best value.

Finding 2

Bloomsburg University did not exercise prudent business practices by soliciting telephone bids for contracts with values ranging between \$5,000 and \$10,000.

Our audit found that Bloomsburg issued 17 of 19 service purchase contracts with dollar values ranging between \$5,000 and \$10,000, without soliciting any type of bids, either formally or informally. Six of these 17 contracts were for signage and were previously discussed in Finding 1.

The other 11 contracts were for services such as a building assessment survey, inspection of portable fire extinguishers, consulting services for food service, and boiler repairs.

According to the PASSHE Procurement Manual, when procuring a contract for goods or services valued at less than \$10,000, the university should consider the following:

Although no formal bidding is required, universities must contemplate prudent business practices and should solicit at least three telephone bids, when possible, with at least one such potential contractor being a woman-based or minority-based entity. It should be the university's practice that, despite no obligation for formal bidding, certain cases for economic benefit may dictate that formal bidding be

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utilized or university policy may require a lesser threshold for bidding than Act 57.¹⁰

As indicated in the policy above, formal bidding is not required for contracts between \$5,000 and \$10,000, however universities should contemplate soliciting at least three telephone bids, when possible. According to the university's purchasing agent, even though the university is not required to bid these types of contracts, bids are solicited for approximately 60 percent of those contracts.

Our review of procurement documentation for the 19 contracts selected and valued between \$5,000 and \$10,000 found that bids were solicited for only 2 of the 19 contracts, or just 10 percent. As the policy states, prudent business practices would require obtaining bids, when possible, to ensure that goods and services are purchased at the best possible price. The university should take advantage of all opportunities to save money whenever feasible.

**Recommendation
for Finding 2**

2. Bloomsburg University should seek competitive telephone bids for service purchase contracts with dollar amounts between \$5,000 and \$10,000.

Comments from Bloomsburg University:

The response for six of the contracts is found in finding and response #1, above. As to the other 11 contracts, without details as to contract numbers or vendors it is difficult to formulate a definitive response. However, based on the services described there may be circumstances which provide explanation or some extenuation.

- *Building assessment survey – We utilize a company called Sightlines for this service, which we initiated and joined based on participation by a number of other PASSHE schools.*
- *Inspection of portable fire extinguishers – According to our research we used a company called Cintas for this service valued at only \$5,566.04.*

¹⁰ PASSHE Procurement Manual, Section IV, Methods of Source Selection, Section E, Small Procurement.

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Contracts**

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-
- *Food service consulting – We utilized a vendor, Wayne Clickner via a sole source.*
 - *Boiler repairs – Our power plant supervisor solicits quotes from two vendors (Trojan and AC Dixon) prior to the submission of purchase requisition.*

According to PASSHE procurement Manual:

Although no formal bidding is required, universities must contemplate prudent business practices and should solicit at least three telephone bids, when possible, with at least one such potential contractor being a woman-based or minority-based entity. It should be the university's practice that, despite no obligation for formal bidding, certain cases for economic benefit may dictate that formal bidding be utilized or university policy may require a lesser threshold for bidding than Act 57.10

While the intent of the policy is to confirm the best value is attained there is no indication the University has forgone any cost savings opportunities. Further, the policy states "when possible" additional solicitation should be conducted. Again, based on volume of transactions processed annually it is neither always prudent, possible, nor practical to engage in this level of solicitation. Further, the location of the University often makes locating qualified and competent suppliers for all commodities a challenging undertaking. Thus, when suppliers are qualified that meet our criteria we tend to return to them for subsequent requirements.

We will reinforce with the user community and procurement staff the need to solicit for at least informal quotes, when possible.

Our evaluation of Bloomsburg University's response:

While we agree that soliciting informal bids is not always prudent, practical, or even possible, we do not agree that the University should automatically return to vendors used in the past. The university should consider the possibility that other qualified vendors could provide the goods or services at a better price.

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**Audit Results:
Work Orders**

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**Audit Results
for
Objective
Two**

Work Orders

The objective

Objective two for our performance audit was to determine if university processed work orders effectively and to also determine if management had adequate controls over the purchasing of materials and supplies used to complete work orders.

Relevant Procedures

Bloomsburg's facility management department is responsible for the maintenance and care of its 67 buildings and 282 acres of property. The facility management department is comprised of eight trade shops: grounds, automotive, plumbing, electrical, carpentry, building maintenance, HVAC, and refrigeration.

In January 2008, Bloomsburg University purchased and installed a new work order software system that provided the university staff with the capability of electronically creating a work order request and sending it directly to the facility management department. Once installed, all university staff was given instructions on how to open and close a work order on the new system. To open a new work order, the employee needs to enter a description of the problem, identify where the problem is located, and what type of service is needed; repair, safety, or emergency. Once this information is entered into the system, work orders are generated and then assigned to the appropriate trade shop. If the work to be completed requires materials or supplies, the applicable trade shop personnel assigned to the work order first checks the limited materials inventory on site and if necessary, purchases the materials or supplies at a nearby business through the use of the university issued visa purchasing card.

Once a work order is completed, the instructions state that the maintenance supervisor should include hours worked and materials used along with the cost of said materials on the work order before a work order is to be closed out of the system. The work order software system, if used to its capabilities, is set up to capture the material and labor costs to complete the work order enabling facility management to monitor the time and costs of repairs to aid in identifying ways to work more efficiently and cost-effectively in the future.

**Audit Results:
Work Orders**

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Scope and Methodologies

In order to accomplish our objective, we performed the following steps:

- We interviewed appropriate Bloomsburg personnel who maintained the work order system to obtain an understanding of the work order process.
- We reviewed the work order instructions provided to university employees after the implementation of the new software to obtain an understanding of the features available in the work order system.
- We examined 48 randomly selected work orders out of a total of 49,800 work orders processed by the university during the period July 1, 2007, through March 31, 2010, for detailed testing of the work order software system.
- Using our professional judgment, we selected 30 maintenance purchases for materials and supplies to determine if the university maintained a record of how and where the materials and supplies were used.

Finding 3

Bloomsburg University lacked sufficient management controls over the prioritization of work order requests and the supervisory approval of completed orders.

Our review of 48 work orders found that six work orders were given a priority code as a repair yet based on the description of the service requested we determined that the work orders should have been classified as a safety concern or even an emergency. Specifically, we found work orders for one residence hall with a leaking radiator and an elevator that was not working. Another work order was placed for a broken front door at a different residence hall. These work orders all appear to pose a safety concern for the students and staff using the buildings.

According to the work order system, these repairs were completed by maintenance staff within one to two weeks of the work order request being

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Work Orders**

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entered onto the system. When a needed repair is a safety concern the university should ensure that the repair is completed as soon as possible. When we questioned Bloomsburg officials about the priority codes, we were informed that all issued work orders automatically default to the “repair” code unless specifically identified as either a safety concern or an emergency. When work order requests are not properly coded, general repair work may end up pre-empting safety or emergency repairs, thereby resulting in critical repairs not being addressed in a timely manner.

In addition, none of the work orders we reviewed had a supervisor’s signature approving the quality and completeness of the work order. Without a supervisor review and sign off on all completed work orders it would be difficult for Bloomsburg’s management to know if and when the work order was actually completed, and what materials and time were used in completing the work orders.

**Recommendation
for Finding 3**

3. Bloomsburg University management should identify the type of work orders being issued so safety and emergency work orders are addressed in a timely manner. Bloomsburg must also ensure that supervisors review, approve, and sign off on all completed work orders.

Comments from Bloomsburg University:

Bloomsburg University agrees that there were insufficient management controls and utilization of the work order system or computerized maintenance management system (CMMS). Review of the CMMS work orders processing methods in the Fall of 2011 identified the following actions to be taken:

- a. *Training on the University’s CMMS software for Facilities and IT staff,*
- b. *Filling an existing, but vacant, work order supervisor position,*
- c. *Creation of several workload analysis reports related to work order “production”,*
- d. *Creation of several work performance reports in support of annual Sightlines data reporting.*

**Audit Results:
Work Orders**

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For those identified actions:

- a. Training was conducted as identified on 20-23 February 2012,*
- b. Request for authority to fill the vacant position has been submitted for Executive Staff review with a response expected by 21 September 2012; a job description already exists. This position will have the primary responsibility to monitor and track the CMMS work order operation, work order backlog, work order priorities, work order completion rates, PM work order completion rates, and to develop/maintain an understanding of work order users work execution needs/expectations,*
- c. First draft , customized workload analysis reports have been created by IT and reviewed by Facilities with feedback changes in July 2012; report changes are presently in process by IT,*
- d. Work performance reports for annual Sightlines data reporting were completed on 7 September 2012.*

In addition to the above actions, during the summer of 2012 a master scheduling process was utilized to capture, represent, and track all maintenance and repair activities in all residence with specific focus on collected both individual building labor hours and materials costs for documentation and analysis. In March 2012 weekly meetings with the shops' foremen and work order clerk were established to provide a process for regular review and work order status update between the shop foremen and the work order clerk. Similarly, weekly work status meetings were held for all summer residence hall work, which included all shop foremen, custodial supervisors and residence life staff to track the work progress and to adjust the planned work schedule/location depending on the latest changes in summer camps activity.

Attached are a copy of the work order supervisor position description, completed new work order reports, Sightlines data reports, and summer 2012 workload master scheduling file.

[Attachments were provided but were not included in this report.]

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Work Orders**

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Finding 4**Bloomsburg University did not implement sufficient management controls over the purchase and use of materials and supplies for the trade shops.**

Our review of the 48 work orders found that materials and supplies used to complete the work were documented on the actual work order form only 20% of the time. Once we determined that the university was not consistently documenting the material used on the work order form itself, we expanded our review to determine if the university had other procedures in place to monitor and control the purchase of materials for the trade shops.

Through inquiries and observations, we found that each trade shop maintains a small inventory of material and supplies onsite. When additional materials are needed, they are generally purchased from a local business and paid for with a university issued credit card. We obtained a listing of all credit card purchases for the period July 1, 2008 to March 31, 2010, and randomly selected 30 transactions for purchases of materials that we believed were at a higher risk of theft, pilferage or misuse. We examined the invoices and then requested documentation to demonstrate how and where the materials and supplies were used.

The university provided us with the work orders for 6 of the 30 purchases and we could determine that the materials were used to complete a work order on campus. For the 24 other purchases of maintenance materials and supplies, the university was unable to provide the corresponding work orders to document how or where the materials were used. Examples of these purchases included miscellaneous plumbing supplies worth \$561, three rolls of copper tubing that cost \$172, a leaf blower valued at \$190, two 18 volt drill batteries valued at \$617, and deck lumber that cost \$750.

When we further questioned university officials about the above purchases they were unable to provide any documentation as to where the materials were used. The purchase of deck lumber caught our attention because we did not see many wood decks located on campus during our tours. Our review of the invoice found that on December 17, 2008, the university purchased 75 pieces of deck lumber at a cost of \$750. Bloomsburg's management could not produce the work order to show where on campus the lumber was used. Further, the lumber could not be located in the

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carpentry trade shop warehouse and university personnel could not provide us with any further information related to the purchase and use of this lumber. The university appeared to have lost track of this lumber which raises the possibility that the lumber was not used to complete a campus project.

This discrepancy raised serious concerns about the management controls over the purchase and use of materials and supplies for the trade shops. Without adequate management control procedures in place to ensure that the purchase of materials and supplies are documented on a corresponding work order or a trade shop inventory listing, the possibility for pilferage and/or misuse to occur without detection is greatly increased.

**Recommendation
for Finding 4**

4. Bloomsburg's facility maintenance department should reference all use of purchased materials and supplies to a corresponding work order while all unused purchased materials and supplies should be reflected on an appropriate trade shop inventory listings.

Comments from Bloomsburg University:

Bloomsburg University agrees that there were insufficient management controls over the use of materials and supplies for the trade shops. Review of the Department budget management, shop account balances tracking, and purchasing approval process in the Fall of 2011 identified the following actions to be taken:

- a. *Training be provided on the budgetary process and fiscal responsibilities of managing annual operating budgets for Facilities Department foremen and assistant directors,*
- b. *Establishing clear budgetary responsibility for each individual "operating" account to a specific individual person, (foremen or asst. director),*
- c. *Provide regular and routine budget balance status information to all individuals responsible for operating budgets,*
- d. *Provide regular and routine budget balance status review of all "project", or non-operating budget, account lines,*

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- e. Maximize the use of procurement cards, and thus the monthly reconciliation process requiring supervisory review and sign-off, for trade shops purchases,*
- f. Establish a workload and scheduling process for Department significant work actions to more effectively track and monitor Department work execution,*
- g. Provide more focus on requiring materials cost information for completed work orders.*

For those identified actions:

- a. Training was conducted as identified in SAP and BI use during the Fall of 2011 through regularly scheduled training classes offered by the budget office,*
- b. Budgetary process responsibility, beyond SAP and BI training, was conducted by the AVP of Facilities during the Fall of 2011 during the twice monthly meetings with foremen, and weekly meetings with assistant directors, the most recent budget discussion revolved around the changes on the procurement purchasing thresholds and the required business practices for types of quotes required based on projected contract thresholds,*
- c. Starting with 1 July 2012 each individual responsible for an operating budget receives weekly, (every Monday morning), budget balance report – the supervisor receives a copy of every report,*
- d. A projects account tracking sheet was established December 2011 and is maintained and reviewed by the Facilities Management support staff and AVP, periodic meetings with the budget office (every six weeks) are held to review all budget balances' status and discuss/resolve any identified budgetary issues,*
- e. Procurement card use has dramatically increased and there have been no significant discrepancies identified in the supervisory reviewed, reconciliation documentation submitted,*
- f. A workload tracking sheet was established in July 2011 and has been used continuously during the weekly review process, alternating weeks with the assistant directors and shop foremen,*
- g. The collection of the materials' costs associated with completed work orders began with the summer maintenance halls work started in May 2012.*

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It is in the nature and requirement of general maintenance work for repair supplies and materials to be readily available for staff use to have an effectively operating organization. As the scheduled major capital construction projects diminish going forward, this need and use of such materials will only increase as the Department engages in increasing maintenance and repair work. Previously the budgetary responsibility for funds and materials was several levels removed from the shop floor and shop foreman, thus there was no direct impact on any purchasing decision or material usage. By having shop foreman directly responsible for the expenditure of their operating funds, coupled with routine budget status review, funds expenditures are now more closely watched at the shop floor level, and more directly linked to actual work requirements and execution. Supervisory review and approval of procurement card transactions provide for validation of expenditures on a monthly basis and helps identify any immediate spending or purchasing anomaly, while the periodic review of accounts' balances serve to help detect any "trending" discrepancies. While it is nearly impossible to establish an absolute, guaranteed system to eliminate all pilferage or theft, the changes described establish multi-level stages of review and greatly expand the "openness" of the process. Large expenditures required AVP review and approval through the now electronic approval process. Lack of sufficient and adequate materials storage capacity for the shops has raised again the concept of a central "stores" which is being evaluated as the University considers the options and impacts of a large, close proximity, off-campus warehousing/storage capability.

Attached are a copy of a typical electronically delivered operating budget report, copy of the project funds tracking sheet, and copy of the workload status report.

[Attachments were provided but were not included in this report.]

Our evaluation of Bloomsburg University's response:

The corrective action outlined by university officials in their response appears to adequately address our finding and recommendation. We will review the status of the implementation of these corrective actions during our next audit of Bloomsburg University.

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Prior Audit**

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**Status of Prior
Audit
Findings and
Recommendations**

The following is a summary of the findings and recommendations presented in our audit report that covered the period of July 1, 2004, to June 29, 2007, along with a description of the disposition of each recommendation. Two of the findings (Findings 1 and 2) were positive and thus had no recommendations. The status of the remaining finding (Finding 3) and the accompanying recommendation is presented below.

Methodologies to meet our objective

In order to determine the status of implementation of our prior recommendation, we held discussions with appropriate university personnel, and we performed detailed testing as part of, or in conjunction with, the current audit.

**Prior Finding 3 Bloomsburg did not comply with university policy
regarding credit card marketing on campus. (Resolved)**

Our prior audit reported that university management established a credit card marketing policy based on Act 82 of 2004. Act 82 of 2004 addresses five areas related to the solicitation of credit card marketing on campus;

1. Credit card marketers must register.
2. Credit card marketers are limited to specific areas designated by the university.
3. Credit card marketers are prohibited from offering gifts to students for completing a credit card application.
4. Credit card marketers must provide at least quarterly, credit card debt education literature that the university may include with campus bookstore purchases, and
5. Credit card marketers must provide the university with the necessary materials to incorporate a credit card debt presentation into their orientation program.

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Prior Audit**

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During our prior audit it was determined that the university was only ensuring that the marketers complied with the first three areas of the established policy.

Therefore, we recommended that Bloomsburg management immediately begin to provide credit card education literature with all campus bookstore purchases. We also recommended that the university immediately incorporate a credit card debt presentation into the university's orientation program for all new incoming students.

Status

Our current audit determined that the university no longer allowed credit card companies to market credit cards on campus thus making their credit card policy obsolete. However, the university still implemented our recommendation of providing credit card debt education literature with all campus bookstore purchases. The university also incorporated a credit card debt presentation into the university's orientation program, thereby providing all incoming students with the knowledge and awareness of the importance of managing their credit card debt and financial obligations.

As a result of these actions, this finding has been resolved.

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