

**ATTESTATION REPORT
OF THE
UNIVERSITY OF NEBRASKA-LINCOLN
PROCUREMENT PROCESS**

JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

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Issued on July 24, 2012

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BACKGROUND

The University of Nebraska is a four-campus, public university founded in 1869. The University was reorganized under a 1968 act of the Nebraska Legislature. The legislation provided for the addition of the University of Nebraska at Omaha (formerly the municipal University of Omaha) and designated the University of Nebraska-Lincoln (UNL) and the University of Nebraska Medical Center as separate campuses. In 1991, the University of Nebraska at Kearney (formerly Kearney State College) became a campus of the university. The university also includes many research, extension, and service facilities statewide.

The University of Nebraska is governed by a Board of Regents whose members are elected by Nebraska voters. The board appoints a chief executive officer—the president of the University of Nebraska—who is the single administrative officer responsible to the board. The chancellors of the four campuses, who are appointed by the president, also serve as vice presidents of the university and as chief operating officers on their respective campuses.

The Board of Regents consists of eight voting members elected by district for six-year terms and four non-voting student Regents, one from each campus, who serve during their tenure as student body president. The board supervises the general operations of the university and the control and direction of all expenditures.

UNL's Procurement Services Department is under the direction of the Vice Chancellor for Business and Finance. Procurement Services manages the competitive bidding process for UNL contracts and purchases. This includes the competitive bidding for Prime vendor contracts. Prime vendors are vendors UNL contracts with to provide routine items used by University departments. The Prime vendors are able to provide cost savings, as well as ease the purchasing process. Procurement Services also helps coordinate purchases of sole source goods or services for UNL departments. Procurement Services also compiles and coordinates information to be presented to the Board of Regents for their approval, when necessary.

Authorization to procure goods and/or services must be obtained through individual departments and/or through Procurement Services before University funds can be committed.

Per the UNL Purchasing Manual, departments making purchases between \$5,000 and \$24,999 are encouraged to obtain informal price quotations, and the award is to be made to the lowest responsive bidder. Procurement Services obtains competitive quotes for purchases between \$25,000 and \$150,000.

UNL Procurement Services has two methods for bidding out purchases or contracts in excess of \$150,000: Invitation to Bid and Request for Proposal (RFP). Per the UNL Purchasing Manual, an Invitation to Bid is used when the "bid specifications describe the item(s) in sufficient detail to apprise the bidder of the exact nature or functionality of the item(s) required." The Invitation to Bid award is made to the lowest, responsive bidder. A RFP is used when the "item(s) are less

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defined but contain sufficient detail to ensure that potential bidders are able to accurately judge an organization's requirements and properly position their products or services accordingly." For a RFP, price is not the determining factor in the award; rather, a list of technical evaluation criteria, along with price, is evaluated. The award is made to the proposal that best meets the needs of UNL.

To evaluate vendor bids on a RFP, UNL establishes a RFP Evaluation Committee. The Committee's objective is to recommend the vendor whose proposal is most responsive to the project needs within available resources. In order to fulfill this objective, the committee members may be required to perform the following tasks, as described in UNL's RFP Evaluation Committee Guidelines:

- 1) Develop work plan, define Committee members' responsibilities and assign workload.
- 2) Analyze requirements and develop evaluation criteria to include in RFP. Decide if criteria is to be separated into mandatory and desirable categories for initial screening checklist. Mandatory requirements must be clearly identified in the RFP. No requirement can be deemed mandatory after the RFP is issued, nor can any evaluation criteria be added, deleted, or changed. Determine weight (importance) of each criteria. The weights will not be included in the RFP.
- 3) Develop policy and procedure for benchmark or demonstration of the proposed system.
- 4) Develop outline and method of reporting final recommendation.
- 5) Perform initial screening against established mandatory checklist.
- 6) Evaluate accepted proposals against established evaluation criteria.
- 7) Evaluate vendor's benchmark or demonstration against established criteria.
- 8) Analyze and compile results and prepare preliminary draft of recommendation report for Procurement Services review and approval.
- 9) Sign final report and submit to Procurement Services for approval.
- 10) Be prepared to aid in defending the award in case a vendor protests.

During the calendar year ending December 31, 2011, UNL paid \$5,000 or more to 3,203 vendors, resulting in total vendor payments of \$298 million. The largest 100 vendors can be found on **Exhibit A**.

Vendors paid by UNL during the calendar year 2011 were identified utilizing SAP, UNL's Accounting and Record Keeping System. Initially, we selected 28 vendors from the UNL Vendor Payment History Report to determine whether the University was in compliance with its

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purchasing policies, as defined in the Criteria section. In addition, we selected a single purchase from each of the 28 vendors to ensure supporting documentation was on hand, as well as to ensure the purchase amount agreed to the purchase order.

Based upon observations during testing of the initial 28 vendors, we selected an additional 21 vendors to test for areas where weaknesses had been noted. The 21 vendors were tested to ensure they were competitively bid or had approved sole source justification. We also tested these 21 vendors to determine whether the vendor contract was signed by the appropriate individual, per UNL's Statement of Delegated Signature Authority.

Of the 49 vendors tested, 34 had a contract with UNL, 11 were vendors where UNL acquired goods or services using purchase orders, 2 were vendors related to large research projects, 1 was a vendor where UNL used a State contract, and 1 was a vendor UNL used through an Association's contract.

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CRITERIA

Neb. Rev. Stat. § 85-106(1) (Reissue 2008) authorizes the Board of Regents to “enact laws for the government of the university[.]” The Bylaws of the Board of Regents of the University of Nebraska (Bylaws) comprise the governing regulations in regard to business and financial management of the University. Section 6.1 of the Bylaws provides, in relevant part, that “no purchase of supplies, equipment, or other personal property shall be made by or in the name of the University except upon an order signed by the duly authorized agents of the Board...” Section 6.4 of the Bylaws also sets out the requirements relating to who has the authority to approve University contracts and the rules as to which officers have authority to sign contracts on behalf of the University. The Regents may, by policy, designate certain types of contracts that may be approved and signed by the President or his designees without the Regents’ approval. In turn, the President has issued Executive Memorandum No. 14, which delegates authority to each campus Chancellor or his or her designees to approve and sign all contracts. Board of Regents Policy 6.3.1 expands on Sections 6.1 and 6.4 of the Bylaws and identifies specific instances when contracts can be signed by the President and when contracts need to be reported to the Board of Regents. Board of Regents Policy 6.3.2 also addresses the selection of professional services of Architects, Engineers, Landscape Architects and Registered Land Surveyors.

The University of Nebraska-Lincoln (UNL) Statement of Delegated Signature Authority documents the Chancellor’s delegation of the authority established in Executive Memorandum No. 14 to the Vice Chancellor for Business and Finance. In addition, the Chancellor has allowed the Vice Chancellor to delegate this authority to administrative officers and professional staff, as required to conduct the business affairs of UNL. The delegation includes the Director of Procurement Services and establishes the Procurement Services Department to develop contracts and purchase orders, per the Regents’ Policy 6.2.1.

Board of Regents Policy 6.2.1, subparagraph 6a, states, in relevant part:

“Except as otherwise provided in the purchasing policy, any purchase committing the University to an expenditure of \$150,000 or more shall be made to the lowest responsible bidder, taking into consideration the best interests of the University, the quality or performance of any articles or service to be purchased, their conformity with specifications, the purpose for which required, and the time of delivery or performance.”

A formal sealed bid process is used in securing pricing using an “Invitation to Bid” or a “Request for Proposal.” Board of Regents Policy 6.2.1, subparagraph 6d, states, “A minimum of fifteen (15) days shall elapse between the time formal bids are advertised or called for and the time of their opening; provided however, the Principal Business Officer may shorten this time period in cases of emergency.”

Board of Regents Policy 6.2.1, subparagraph 5a, states: “Any purchase where competitive bidding is required by this policy shall be made on the basis of written specification which shall

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CRITERIA
(Continued)

be developed by the requesting unit, the purchasing officer, and/or the appropriate academic/administrative authority.” This policy also requires that every sole source purchase be accompanied by a written justification from the requesting unit.

Various Board of Regents policies and internally established policies dictate how UNL purchasing is to be performed. Board of Regents Policy 6.2.1, subparagraph 9, states “Each principal business officer may establish campus purchasing policies and procedures which are supplemental to and consistent with this purchasing policy.” UNL has established its own policies and procedures in the UNL Purchasing Manual. Process changes to the UNL Purchasing Manual are approved by the Director of Procurement Services and policy changes are approved by either the Vice Chancellor or Associate Vice Chancellor for Business and Finance. The following table lists the competitive bidding thresholds, as identified in the UNL Purchasing Manual.

UNL PROCUREMENT SERVICES COMPETITIVE BIDDING THRESHOLDS

\$0 - \$4,999	<ul style="list-style-type: none"> • Departments can sign/execute contracts if the term is for less than one year. No action required on purchases, most on Purchasing Card.
\$5,000 - \$24,999	<ul style="list-style-type: none"> • Departments can make purchases at their discretion but are encouraged to obtain competitive quotes, if not on an established contract. Quotes should be attached to purchase order in SAP, UNL’s accounting system. • Sourcing Specialists can sign contracts.
\$25,000 - \$149,000	<ul style="list-style-type: none"> • Procurement Services obtains informal quotes via email, fax, RFQ. May determine a formal bid is best method. • Sole Sources are approved by Director of Procurement Services.
\$150,000 and greater	<ul style="list-style-type: none"> • Requires formal sealed bid by Board of Regents policy. • Purchase Orders must be approved and released by Director of Procurement Services. • Sole Sources are approved by the Vice Chancellor of Business & Finance.
\$25,000 - \$249,999	<ul style="list-style-type: none"> • Professional services approved by Director of Procurement Services.
\$250,000 - \$399,999	<ul style="list-style-type: none"> • Professional Services approved by Vice Chancellor of Business & Finance. • Sole Sources reported to Board of Regents.
\$400,000 and greater	<ul style="list-style-type: none"> • Sole Sources are approved by the Board of Regents. • Bid award for personal property (capital equipment) approved by the Vice Chancellor of Business & Finance and reported to the Board of Regents. • Professional Services are approved by the Board of Regents.



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INDEPENDENT ACCOUNTANT'S REPORT

Board of Regents of the University of Nebraska
Lincoln, Nebraska

We have examined the University of Nebraska-Lincoln's (UNL) compliance with Board of Regents Bylaws 6.1 and 6.4, Board of Regents Policies 6.2.1, 6.3.1, and 6.3.2, the UNL Statement of Delegated Signature Authority, as well as, requirements identified in the UNL Purchasing Manual during the calendar year ended December 31, 2011. Management is responsible for UNL's compliance with those requirements. Our responsibility is to express an opinion on UNL's compliance based on our examination.

Except as discussed in the following paragraph, our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, included examining, on a test basis, evidence supporting the UNL's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on UNL's compliance with specified requirements.

We were unable to obtain certain written representations from management as required by Attestation Standards promulgated by the AICPA. Attestation Standards require the APA to obtain specific representations concerning management's evaluation of the entity's compliance with UNL's procurement policies. Per the University, they had not yet completed a formal review of their compliance with procurement policies at the time of this report and thus did not represent an evaluation had been performed.

Our examination disclosed material noncompliance with the Board of Regents Policy 6.3.1, subparagraph 4, Executive Memorandum No. 14, and the UNL Statement of Delegated Signature Authority applicable to UNL during the year ended December 31, 2011. The Board of Regents Policy 6.3.1, subparagraph 4, outlines the President's authority to sign contracts and when, if required, contracts need to be reported to the Board. The President's signature authority is

further delegated by Executive Memorandum No. 14, and the ultimate signature authority at UNL is documented on the UNL Statement of Delegated Signature Authority. Per our examination, 5 of 34 contracts were not signed by the correct individual and 7 of 9 contracts which should have been reported to the Board of Regents, were not. (Comment 1 Contract and Change Order Approvals)

In our opinion, except for the material noncompliance described in the fourth paragraph and the scope limitation described in the third paragraph, UNL complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2011.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that could have a material effect on UNL's compliance with Board of Regents Bylaws 6.1 and 6.4, Board of Regents Policies 6.2.1, 6.3.1, and 6.3.2, its Purchasing Manual, the UNL Statement of Delegated Signature Authority, and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the University complied with the requirements referred to above and not for the purpose of expressing an opinion on the internal control over the compliance requirements referred to above or on other compliance and other matters; accordingly we express no such opinions. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards* and those findings, along with the views of management, are described in the Comments Section of the report.

This report is intended solely for the information and use of management, the Board of Regents of the University of Nebraska, others within the University, and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Signed Original on File

July 18, 2012

Mike Foley
Auditor of Public Accounts

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EXIT CONFERENCE

An exit conference was held July 10, 2012, with the University to discuss the results of our examination. Those in attendance for UNL were:

NAME	TITLE
Deb Dahlke	Director of Operations Analysis
Gary Kraft	Director of Procurement Services
Mary LaGrange	Controller
Jo Bialas	Director of Business Operations
Christine Jackson	Vice Chancellor, Business and Finance
Kim Phelps	Associate Vice Chancellor, Business Services
Roger Spiehs	Assistant Director of Procurement Services

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SUMMARY OF COMMENTS

During our examination of UNL's Procurement Process, we noted a certain deficiency in internal control that we consider to be a material weakness and other operational matters that are presented here.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material instance of noncompliance with purchasing policies will not be prevented, or detected and corrected on a timely basis.

These comments and recommendations are intended to improve the internal control over compliance or result in operational efficiencies in the following areas:

1. ***Contract and Change Order Approvals:*** Five of 34 contracts tested and one change order were not signed in accordance with the UNL Statement of Delegated Signature Authority. Seven contracts tested were not reported to the Board of Regents as required by Board Policy. We consider this to be a material weakness.
2. ***Purchases Not Competitively Bid:*** Two of 11 vendors tested who performed more than \$150,000 of business with UNL did not have purchases competitively bid and did not have an approved sole source justification.
3. ***Lack of Support for Vendor Selection:*** UNL shredded individual scorecards once a summary scorecard had been compiled. We could not verify that the compiled scorecard agreed to the individual scorecards. In addition, there was no indication on the summary scorecard that it was accurately compiled or documentation to support the evaluators agreed with the vendor selected.
4. ***Science Equipment and Research Materials Procedures:*** UNL did not have procedures in place to ensure they obtained the best price available for purchases of science equipment and research materials made outside the Prime vendor.
5. ***Contract Monitoring:*** UNL did not monitor all contracts to ensure they received the correct discount or the correct commission. UNL has many contracts with vendors who offer discounts depending on the product purchased or commissions based on products sold. We noted 3 of 28 vendors tested did not have adequate monitoring procedures.
6. ***Purchase Orders in SAP:*** Purchases in excess of \$5,000 are to have purchase orders entered into SAP, UNL's Accounting and Record Keeping System. These purchase orders are then routed to Procurement Services for review and approval. During testing, we noted 4 of 28 purchases tested exceeding \$5,000 were not approved by Procurement Services.

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SUMMARY OF COMMENTS

(Continued)

7. ***Lack of Support for Expenditures:*** One of 28 expenditures lacked sufficient documentation to support its appropriateness.
8. ***SAP Payable Access:*** There is no separation of roles in SAP to enter an invoice/payable, modify an invoice/payable, and post/approve an invoice/payable.

More detailed information on the above items is provided hereafter. It should be noted that this report is critical in nature as it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any strengths of UNL.

Draft copies of this report were furnished to UNL to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Where no response has been included, UNL declined to respond. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time, but will be verified in the next examination.

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COMMENTS AND RECOMMENDATIONS

1. Contract and Change Order Approvals

Board of Regents Policy 6.3.1, subparagraph 4o, requires, construction projects with total cost in excess of \$2,000,000, have all amendments or change orders, in excess of \$150,000 or 1.25% of the total project cost, be approved by the President or his designee. Board of Regents Policy 6.3.1, subparagraph 4a, authorizes the President to approve and to execute any “contract for procurement of services or non-capital goods used in the regular course of business in operation of the University.” Subparagraph 5 of that same policy permits the President to delegate such authority to “other administrative officers and professional staff employees of the University.” At UNL, the President’s designee is the Vice Chancellor for Business and Finance.

Subparagraphs 4k and 4m of the Board of Regents Policy 6.3.1 require that any contract for the procurement of construction services or supplies for a building structure or other improvement to real property may be approved by the President “provided that a written report of any such contract in excess of \$250,000 shall be made to the Board of Regents at its next regular meeting subsequent to the execution of the contract.”

Board of Regents Policy 6.3.1 subparagraph 4t requires any contract granting to an external party a lease of or license to use University real property requires “a written report of each such lease or license for a term in excess of one year and \$250,000 be made to the Board of Regents at its next regular meeting subsequent to award of the contract.”

Board of Regents Policy 6.3.2, subparagraph 3, requires contracts for architecture and engineering where the estimated fee is greater than \$400,000 to have the selection process handled in accordance with the Consultant’s Competitive Negotiation Act and the University Standard Selection Procedure. The University of Nebraska Capital Planning and Development Professional Services Selection procedures UNFP 6.3.2.1, the University Standard Selection Procedure, states in section IV subparagraph J.1, “Upon successful negotiation of a contract, the Director of Facilities Planning and Management will submit the recommended firm to the Board of Regents for approval.”

Good internal control requires procedures be in place to ensure compliance with Board Policy.

Five of 34 vendor contracts tested were not approved, as required by Board Policy. We noted:

Vendor	Contract Approved By	Approval Required Per Board Policy	Amount Paid During Year
Office Depot	Director of Procurement Services	Vice Chancellor for Business and Finance	\$3,026,788
Eletech *	Director of Procurement Services	Vice Chancellor for Business and Finance	\$801,900

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COMMENTS AND RECOMMENDATIONS
(Continued)

1. Contract and Change Order Approvals (Continued)

Vendor	Contract Approved By	Approval Required Per Board Policy	Amount Paid During Year
Demma Fruit	Director of Procurement Services	Vice Chancellor for Business and Finance	\$748,247
Konica Minolta	Director of Purchasing & Materials Management	Vice Chancellor for Business and Finance	\$683,938
Sysco	Director of Procurement Services	Vice Chancellor for Business and Finance	\$548,628

* The \$801,900 was the estimated contract amount.

Of the 34 contracts tested, 9 were required to be reported to the Board of Regents. We noted 7 of those 9 contracts were not reported, as required by Board policy. These included the following:

Vendor	Service Provided	Contract Amount
Shanahan Mechanical & Electrical **	Construction Services	\$4,205,000
General Excavating	Construction Services	\$1,308,324
Western Waterproofing	Construction Services	\$1,077,613
H & S Plumbing and Heating	Construction Services	\$813,500
Imperial Palace *	Food Services	\$625,000
Wayne Dowhower Construction	Construction Services	\$548,716
NGC Group	Construction Services	\$291,324

* The contract amount shown for Imperial Palace is the estimated amount of commissions UNL expected to receive based on estimated sales.

** Per UNL, this contract was between the Nebraska Utilities Corporation and the vendor and, thus, did not need to be reported to the Board. Per our review of the contract, it appeared the contract was between the Board of Regents and the vendor and should have been reported to the Board.

Twelve of the 34 contracts tested were required to be approved by the Board of Regents. We noted 1 of the 12 contracts was not approved by the Board, as per Board Policy. The contract was for \$470,600, with Lutz, Daily, and Brain LLC, for design services for the replacement of cooling units at the City Campus Utility Plant. Per UNL, this contract was between the Nebraska Utilities Corporation and the vendor and, thus, did not need to be approved by the Board. Per our review of the contract, it appeared the contract was between the Board of Regents and the vendor and thus should have been approved by the Board.

In addition, we noted a contract with Hausmann Construction, for the construction of the Devaney Center Practice Facility, had 1 of 11 change orders not approved by the appropriate individual. The \$880,351 change order was approved by the Assistant Vice Chancellor for Facilities Management and Planning when it should have been signed by the Vice Chancellor for Business and Finance.

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COMMENTS AND RECOMMENDATIONS
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1. Contract and Change Order Approvals (Concluded)

We also noted that, although UNL has policies for who can approve contracts, there is no established policy in place to document which individuals are authorized to sign amendments, addendums, or extensions to those contracts.

UNL is not in compliance with its internal policies. There is an increased risk contracts are not appropriately entered into when UNL's process is not followed. In addition, there is an increased risk of projects running longer and costing more when appropriate individuals are not made aware of change orders, addendums, or contract extensions.

We recommend UNL strengthen procedures to ensure contracts and change orders are appropriately approved and reported to the Board of Regents when required. In addition, we recommend UNL implement a policy establishing who is authorized to sign amendments, addendums, and contract extensions.

UNL's Response: Effective December, 2011, UNL modified its administrative responsibility for reporting contracts to the Board of Regents, assigning such to Procurement Services. UNL will clarify its signature policy to include authorized signers for amendments, addendums, and contract extensions.

2. Purchases Not Competitively Bid

The Board of Regents Policy 6.2.1, subparagraph 6a, states, in relevant part: "any purchase committing the University to an expenditure of \$150,000 or more shall be made to the lowest responsible bidder, taking into consideration the best interests of the University, the quality or performance of any articles or service to be purchased, their conformity with specifications, the purpose for which required, and the time of delivery or performance."

Board of Regents Policy 6.2.1, subparagraph 5b states, in relevant part: "Each request for a sole source purchase shall be accompanied by written justification from the requesting unit. Each sole source purchase must have prior written approval by the principal business officer."

Good internal control requires that procedures be in place to ensure UNL is in compliance with Board Policy.

For 2 of 11 vendors tested, where UNL acquired goods and services using purchase orders, UNL did not conduct a competitive bidding process or have a sole source justification form on file.

Vendor	Product Provided	Amount Paid During Year
Weldon, Williams, and Lick	Event Tickets and Related Items	\$374,952
Polygon Parking	Parking	\$236,771

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COMMENTS AND RECOMMENDATIONS
(Continued)

2. Purchases Not Competitively Bid (Concluded)

We also tested a contract with Kidwell Electric, which was established as part of a Unit Pricing Agreement for electrical services at UNL. As part of the Unit Pricing Agreement contracts, a number of electrical services vendors submit bids and the lowest cost vendors are added to an approved vendor list. Departments are then able to contract with any of the approved vendors for projects less than \$75,000. Per the Electrical Services Unit Pricing Agreement RFP, projects between \$75,000 and \$250,000 are to receive at least two quotes. Per our review of a Kidwell Unit Pricing project valued at \$236,160, two bids were not requested or received.

Additionally, we observed Van Housen Trucking performing transportation services for UNL, but there was no bid or sole source documentation to support why this vendor was used. Van Housen was paid a total of \$348,562 on 89 expense documents during the calendar year. Expense documents ranged from \$1,610 to \$11,655. Due to the frequency and cost of these purchases, UNL should consider obtaining competitive bids or have an approved sole source justification for the vendor.

Without competitive bidding, there is an increased risk UNL will not obtain the lowest possible price for goods or services purchased.

We recommend UNL strengthen procedures to ensure Board Policy and the proper purchasing process is followed. We also recommend UNL obtain bids for purchases in excess of \$150,000, or obtain approval for a sole source purchase.

UNL's Response: UNL will review its procurement procedures. UNL obtains bids for purchases in excess of \$150,000 and will strengthen its documentation procedures for sole source purchases.

3. Lack of Support for Vendor Selection

Good internal control requires that adequate documentation be maintained to support the selection of vendors, including individual scorecards, which should agree to the summary scorecard compiled by UNL. Good internal control also requires documentation be maintained to justify purchases made through a non-contracted vendor when UNL has a contract to procure the goods through a specific vendor.

Board of Regents Policy 6.3.2, subparagraph 3, requires contracts for architecture and engineering where the estimated fee is greater than \$400,000 to have the selection process handled in accordance with the Consultant's Competitive Negotiation Act and the University Standard Selection Procedure. The University of Nebraska Capital Planning and Development Professional Services Selection procedures UNFP 6.3.2.1, the University Standard Selection Procedure, states in section IV subparagraph J.2, "The University's file for the contract awarded shall contain the basis on which the contract award is made."

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COMMENTS AND RECOMMENDATIONS
(Continued)

3. Lack of Support for Vendor Selection (Concluded)

Of the 34 contracts tested, 15 were evaluated on criteria in addition to whether the vendor was the lowest bidder. For 5 of those 15 contracts, UNL did not maintain the individual scorecards to support the summary scorecard. Individual scorecards were destroyed after the summary scorecard was compiled, and there was no indication on the summary scorecard that the judging committee agreed the compilation was accurate. In addition, for one of the five, UNL did not have the individual scorecard or the summary scorecard on file.

Vendor	Product/Service Provided	Contract Total of Project Tested
Sampson Construction	Construction Services	\$55,659,500
Demma Fruit	Food Vendor	**\$748,247
Clark Enersen Partners	Architecture and Engineering Services	\$2,610,000
Sinclair Hille and Associates	Architecture and Engineering Services	\$987,000
Lutz, Daily, & Brain LLC *	Architecture and Engineering Services	\$470,600

* UNL also did not have the summary scorecard on file.

** Amount paid to vendor during calendar year.

We also identified an instance where UNL purchased items through a non-contracted vendor when UNL has a contract to procure the goods through a specific vendor. Sapp Brothers was awarded the Prime vendor contract with UNL for fuel purchases. UNL departments are recommended to use the Prime vendor, Sapp Brothers, as their first choice for fuel purchases. UNL did not maintain documentation to support why they made a \$52,726 fuel purchase from Whitehead Oil.

Without adequate documentation to support vendor selection, there is an increased risk the lowest or the most qualified bidder is not selected.

We recommend UNL maintain its documentation to support the basis for vendor selection. This could include maintaining the individual scorecards, having the evaluators sign the summary scorecard, or maintaining other documentation supporting which vendor the committee selected. We also recommend, in instances where purchases are made outside of a Prime vendor, that documentation be maintained to support the basis for using the other vendor.

UNL's Response: UNL's current policy will be modified to require evaluators to sign the summary score. UNL maintains several preferred prime vendors for similar products to ensure product availability. UNL will review its documentation requirements in instances where purchases are made outside of a prime vendor.

UNIVERSITY OF NEBRASKA-LINCOLN
PROCUREMENT PROCESS

COMMENTS AND RECOMMENDATIONS
(Continued)

4. Science Equipment and Research Materials Procedures

Fisher Scientific Company LLC is the Prime vendor for scientific equipment, chemicals, and supplies for UNL. UNL recommends the use of Prime vendors as the first source for purchasing decisions. In the event Fisher does not have the product, then UNL Procurement Services has identified additional vendors who can be used.

We noted that, in addition to making purchases from Fisher Scientific, UNL contracted with and purchased science and research items from two other providers, Invitrogen and Sigma Aldrich during the calendar year. Documentation was not maintained to support the best price was obtained for items purchased.

Vendor	Paid During Calendar Year
Fisher Scientific Co LLC	\$5,448,806
Invitrogen	\$1,042,007
Sigma Aldrich Inc.	\$835,792

During testing, we reviewed one payment each to Invitrogen and Sigma Aldrich who are identified as secondary vendors for scientific equipment, chemicals, and supplies. We selected 10 items each from a Sigma Aldrich and Invitrogen invoice and sent these items to a Fisher Scientific representative to determine whether that company offered a comparable product and, if so, at what price. We noted:

Product	Fisher Product Cost	Sigma Aldrich Cost	Difference
Ferric Acetylacetonate 100g	\$53.00	\$57.57	\$(4.57)
N-Hydroxysuccinimide, 98 250g	\$202.40	\$176.36	\$26.04
Sodium Hydroxide, Pellet 1kg	\$70.35	\$105.00	\$(34.65)
Sodium Acetate Anhydrous 500g	\$60.12	\$23.92	\$36.20
MOPS 10X Buffer 1L	\$114.23	\$177.75	\$(63.52)
Trichloroethylene 99+% 1L *(a)	\$55.83	\$54.50	\$1.33
Trichloroethylene 99+% 1L *(b)	\$55.83	\$57.97	\$(2.14)
1-(3-Dimethylaminopropyl) 50g	\$346.90	\$295.96	\$50.94
Agar USP/NF 1kg **(a)	\$240.16	\$355.65	\$(115.49)
Agar USP/NF 1kg **(b)	\$240.16	\$659.95	\$(419.79)

* Per Fisher Scientific, this item was comparable to Sigma Aldrich's Potassium Sulfate (a) and Trichloroethylene (b) products.

** Per Fisher Scientific, this item was comparable to Sigma Aldrich's Purified, Plant Cell Agar (a) and Washed-Plant Cell Agar (b).

UNIVERSITY OF NEBRASKA-LINCOLN
PROCUREMENT PROCESS

COMMENTS AND RECOMMENDATIONS
(Continued)

4. Science Equipment and Research Materials Procedures (Concluded)

Product	Fisher Product Cost	Invitrogen Cost	Difference
Ham's F12 liquid Media 1000mL	\$23.77	\$21.95	\$1.82
RPMI 1640 W L-Glut 500mL 6/Pl	\$86.93	\$71.21	\$15.72
Trizol Reagent 200mL	\$256.00	\$235.52	\$20.48
Neuroprep Media 100mL	\$72.33	\$8.63	\$63.70
Trypsin 0.05% 1X Liq 100mL	\$13.75	\$6.93	\$6.82
1kb Plus DNA Ladder	\$144.14	\$295.35	\$(151.21)
DNTP Mix 25mm 1mL	\$190.00	\$192.00	\$(2.00)
N-2 Supplement 5mL	\$61.50	\$57.20	\$4.30
M-MLV Reverse Transcrip 10000U	\$85.55	\$53.41	\$32.14

Note 1 - Only nine Invitrogen products are shown above because one Invitrogen product, Tryple Express w/ Phenol Red, was not offered by Fisher Scientific.

Note 2 - For any products shown above, where the quantities offered by Fisher Scientific, Invitrogen, and Sigma Aldrich were not exact; the prices were modified in order to compare similar quantities.

Good internal controls and sound business practices require that departments maintain documentation to support why they made purchases from vendors other than the Prime vendor and that the best possible price was obtained. Procurement Services has identified the Prime vendor as being able to provide the best overall value to UNL.

When purchases are made outside of the Prime vendor, there is an increased risk UNL is not obtaining the best price available. In addition, when departments do not document the reason a purchase is made outside the Prime vendor, there is an increased risk the department is not purchasing from the least expensive vendor.

We recommend departments document why purchases are made from outside vendors when a Prime vendor has been established.

UNL's Response: UNL maintains several preferred prime vendors for similar products to ensure product availability. UNL will review its documentation requirements in instances where purchases are made outside of a prime vendor.

5. Contract Monitoring

Good internal control and sound business practice requires that contracts and agreements be monitored to ensure UNL is receiving the proper benefit, in accordance with agreed-upon contract terms. Monitoring procedures should include reviews to ensure the proper price was charged, the proper discount was applied, or the proper commission was received.

We tested 28 documents for the calendar year ended December 31, 2011, and noted that 3 of the 28 vendors tested, UNL lacked adequate procedures to ensure they were receiving the appropriate discounts or commissions as described in the contract or agreement.

UNIVERSITY OF NEBRASKA-LINCOLN
PROCUREMENT PROCESS

COMMENTS AND RECOMMENDATIONS

(Continued)

5. Contract Monitoring (Continued)

We noted the following:

- Sigma Aldrich: UNL paid Sigma Aldrich \$835,792, during calendar year 2011, for science equipment and research materials. We tested one payment to Sigma Aldrich for \$42,923 and noted:
 - UNL has an agreement with Sigma Aldrich to receive specific discounts for certain purchases. On the document tested, there was no documentation to support a review was performed to ensure UNL had received the appropriate discount on items purchased.
 - An annual performance review is prepared by Sigma Aldrich and presented to UNL; however, it does not provide adequate assurance UNL is receiving the correct discount. The performance review indicates the amount of purchases from Sigma Aldrich and the discount received, but UNL cannot verify the discount received on the performance report is accurate.
- Fisher Scientific: UNL paid Fisher Scientific \$5,448,806, during calendar year 2011, for science equipment and research materials. We tested one payment to Fisher Scientific for \$124,469 and noted:
 - UNL personnel indicated spot checks are performed to ensure the proper discounts on list prices are received; however, the documentation of these reviews was not maintained.
 - We selected 24 items purchased from Fisher Scientific to determine whether the correct discount was received. Eleven of the 24 items tested did not receive the discount identified in the contract. This resulted in the University being undercharged from \$371 to being overcharged \$8 per item.
 - An annual performance review is prepared by Fisher Scientific and presented to UNL; however, it does not provide adequate assurance UNL is receiving the correct discount. The performance review indicates the amount of purchases from Fisher Scientific and the discount received, but UNL cannot verify the discount received on the performance report is accurate.
- Follett Higher Education: Follett leases UNL's bookstore space at the two Lincoln campuses.
 - The lease agreement contains a provision for Follett to pay a commission to UNL. The commission rate structure is 12% on the first \$13 million in sales and 13% on the amount of sales over \$13 million, with a guaranteed minimum commission to be paid to UNL of \$1,620,000 each lease year. During the lease year ended in 2011, Follett had sales of \$13,334,353, which resulted in UNL receiving \$1,620,000, the guaranteed minimum amount of commissions. Follett does provide unaudited monthly and annual reports to UNL, which UNL uses to monitor sales. UNL does not receive audited financial reports or other audited information from Follett to ensure the amount of sales reported and the amount of commissions paid to UNL are correct.

UNIVERSITY OF NEBRASKA-LINCOLN
PROCUREMENT PROCESS

COMMENTS AND RECOMMENDATIONS
(Continued)

5. Contract Monitoring (Concluded)

- The lease agreement with Follett does contain a provision for an audit to be performed by UNL. If, during the audit process, any errors identified are in excess of 5%, then Follett is required to pay the difference identified and the cost of the audit. Per discussion with UNL, this provision of the agreement has not been exercised.
- The lease agreement with Follett provides provisions for retail pricing of new and used books, as well as the percentage to be paid for book buybacks. Per UNL, reviews of Follett's pricing are performed every two to three years. The last review was performed in 2009 and a number of issues were identified; however, UNL did not have documentation to support any follow up being done on the issues identified. UNL noted:
 - Six of 57 new textbooks tested were overpriced, per Follett's agreement with UNL. The textbooks were overpriced from \$1 to \$23.
 - Per the contract, Follett will buy back textbooks at a greater price if they will be used the following year. If the book will not be used the next year, then Follett will offer students less for the textbook. During UNL's review of Follett's buy back pricing for 6 used textbooks, UNL identified one instance where 34 books were purchased as if they were not going to be used the following year; however, 82 new and 25 used copies of the same textbook were sold the following semester.

Without adequate monitoring procedures in place, there is an increased risk UNL is not receiving the full benefit of the contract or agreement, resulting in a possible loss of funds.

We recommend UNL strengthen procedures for monitoring of contracts and agreements to ensure they receive the correct prices, discounts, or commissions based upon the contract or agreement terms.

UNL's Response: Agreed.

6. Purchase Orders in SAP

UNL has a workflow established in SAP, UNL's Accounting and Record Keeping System, where UNL departments enter purchase orders exceeding \$5,000 and the purchase order is forwarded to a Procurement Services buyer for review and approval. Purchase orders in excess of \$150,000 are to be approved by the Director or Assistant Director of Procurement Services. Once the purchase order is approved in SAP, the purchase is made. Good internal control requires that UNL departments enter purchase orders into SAP, so those orders can be reviewed by Procurement Services to ensure UNL cannot obtain a better price from a different vendor.

UNIVERSITY OF NEBRASKA-LINCOLN
PROCUREMENT PROCESS

COMMENTS AND RECOMMENDATIONS
(Continued)

6. Purchase Orders in SAP (Concluded)

Four of 28 expenditures tested were not properly entered or approved in SAP. We noted:

Vendor	Product or Service	Purchase Order Amount	Observation
Sampson Construction	East Stadium Improvement	\$1,415,913	Purchase Order was not Approved by Director or Assistant Director of Procurement Services
Weldon, Williams & Lick	UNL Football and Volleyball Season Tickets and Forms	\$140,259	Purchase Order not entered in SAP
Jacob North	2011 Football Media Guide	\$48,695	Purchase Order not entered in SAP
Van Housen Trucking	Transportation Services	\$11,655	Purchase Order not entered in SAP

Without purchase orders being appropriately entered and approved in SAP, there is an increased risk UNL may not be getting the best price for the item purchased.

We recommend UNL strengthen procedures to ensure purchase orders are appropriately entered and approved in SAP.

UNL's Response: Agreed.

7. Lack of Support for Expenditures

Good internal controls require that documentation be maintained to support expenditures paid by UNL.

For 1 of 28 vendor expenditures tested, UNL was unable to provide documentation to support the expense. Total overpayment as a result of inadequate documentation and ineffective review was \$14,172.

We noted the following from our testing of an expenditure totaling \$138,625 for University research work:

- It was not possible to verify the exchange rate of 4,405 Zambia kwachas (ZMK) to 1 U.S. Dollar (USD) used for reimbursements, during the period of January 20, 2010, to March 21, 2011, for research performed in Zambia, was reasonable. Per discussion with UNL, the exchange rates used by the University of Zambia were based on the fluctuation of the local currency over FOREX (the foreign exchange market) for the stated period of the claim. Different banks have different exchange rates of foreign exchange, and the exchange rates used by the University of Zambia were based on their local banks. Oanda.com currency converter uses an average of global exchanges, which was what the

UNIVERSITY OF NEBRASKA-LINCOLN
PROCUREMENT PROCESS

COMMENTS AND RECOMMENDATIONS

(Continued)

7. Lack of Support for Expenditures (Concluded)

auditor used to recalculate the average exchange rate. Using the dates of the expenses, January 20, 2010, to March 21, 2011, the average exchange rate was found to be 4,805 ZMK per USD. The difference in exchange rates resulted in UNL paying an additional \$11,072. In addition, no documentation was maintained to support that UNL reviewed the exchange rate used to ensure it was reasonable.

- Two of the expenditure's supporting invoices were illegible. The invoice amounts and totals were cut off and could not be determined. The two amounts reimbursed totaled \$1,778.
- Two invoices were incorrectly billed to UNL. The two invoices were for ZMK 500,000, but the amount paid by UNL was based on a cost of ZMK 600,000. This resulted in UNL paying \$45 in excess expenses.
- One invoice was for ZMK 5,569,726, but the amount billed and paid by UNL was ZMK 4,400,002. This resulted in UNL underpaying by \$266.
- One invoice did not list unit prices or totals for the items purchased; thus, the amount reimbursed could not be verified from supporting documentation. The amount reimbursed was \$1,067.
- One \$443 expense lacked supporting documentation, but it was still paid.
- Two invoices were duplicates and paid twice by UNL. The two invoices amounted to a redundant payment of \$33.

Without adequate documentation to support expenditures, there is an increased risk payments will be made in error.

We recommend UNL strengthen procedures to ensure expenditures are paid only when sufficient supporting documentation has been obtained.

UNL's Response: UNL reviews expenditures for supporting documentation prior to payment. We will initiate additional training for campus staff.

8. SAP Payable Access

A good internal control plan requires proper segregation of duties to ensure no individual can process a transaction from beginning to end. A proper segregation of duties reduces the risk of fraud, misuse, or abuse of UNL funds.

UNIVERSITY OF NEBRASKA-LINCOLN
PROCUREMENT PROCESS

COMMENTS AND RECOMMENDATIONS
(Continued)

8. SAP Payable Access (Concluded)

There is no separation of roles in SAP, UNL's Accounting and Record Keeping System, to enter an invoice/payable, modify an invoice/payable, and post/approve an invoice/payable. SAP Role MM_AP_MAINTAIN allows employees to perform these functions.

Per the fiscal year ended June 30, 2011, University of Nebraska Management Letter issued by the APA on February 2, 2012, SAP access as of June 30, 2011, was as follows:

- 15 UNL and 7 University Central Administrations (UNCA) employees had access to process a payable from beginning to end in SAP.
- 7 of 15 UNL and 7 of 7 UNCA employees had access to process a journal entry from beginning to end in SAP.
- 5 of 15 UNL and 6 of 7 UNCA employees had the ability to approve transactions in EnterpriseOne, the State's accounting system.

SAP access as of April 2012, the start of our fieldwork, was as follows:

- 13 UNL and 7 UNCA employees had access to process a payable from beginning to end in SAP.
- 5 of 13 UNL and 7 of 7 UNCA employees had access to process a journal entry from beginning to end in SAP.
- 5 of 13 UNL and 6 of 7 UNCA employees had the ability to approve transactions in EnterpriseOne.

Employees with access to process a payable or journal entry from beginning to end could potentially make purchases without complying with the requirements of UNL's procurement policies.

Without adequate controls over the processing of transactions in the accounting system, there is an increased risk of the loss or misuse of State funds and an increased risk of noncompliance with UNL's purchasing policies.

We recommend UNL review the access in SAP when it involves invoice/payables and revise those roles to ensure one employee does not have access to enter and approve/post an invoice/payable from beginning to end.

UNL's Response: While there are mitigating controls to detect incorrect payments, we agree that the security roles should be further investigated.

UNIVERSITY OF NEBRASKA-LINCOLN
PROCUREMENT PROCESS

SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the University's compliance with formal bidding, RFP requirements, contract and amendment/change order approval, and contract terms. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the University's compliance with those requirements mentioned above, and, accordingly, we express no opinion on it.

UNIVERSITY OF NEBRASKA-LINCOLN
PROCUREMENT PROCESS

EXHIBIT A

100 LARGEST VENDORS DURING CALENDAR YEAR 2011 BY AMOUNT PAID

	Vendor Name	Amount Paid	Vendor Description
1	NEBRASKA UTILITY CORP (NOTE 9)	\$ 26,578,698.56	Utilities
2	SAMPSON CONSTRUCTION CO (NOTE 2)	\$ 21,185,727.62	Construction Services
3	HAUSMANN CONSTRUCTION INC	\$ 8,834,112.51	Construction Services
4	FOLLETT HIGHER EDUCATION GROUP (NOTE 3)	\$ 8,198,366.78	Bookstore Agreement
5	FISHER SCIENTIFIC CO LLC	\$ 5,448,805.96	Science Equipment & Materials
6	CASH WA DISTRIBUTING CO	\$ 5,158,127.29	Food Services
7	HAMPTON COMMERCIAL CONSTRUCTION	\$ 4,670,121.29	Construction Services
8	NEBCO	\$ 3,604,124.95	Construction Services
9	APPLE COMPUTER INC	\$ 3,281,660.33	Computer Equipment
10	SHANAHAN MECHANICAL AND ELECTRICAL	\$ 3,142,001.50	Construction Services
11	OMAHA CONSTRUCTION SERVICE	\$ 3,106,030.94	Construction Services
12	OFFICE DEPOT	\$ 3,026,788.12	Officer Supplies
13	CLARK ENERSEN PARTNERS	\$ 3,010,238.92	Construction Services
14	PBS	\$ 2,625,824.78	Telecommunications Services
15	LINCOLN ELECTRIC SYSTEM	\$ 2,486,849.76	Utilities
16	DELL MARKETING LP	\$ 2,416,962.66	Computer Equipment
17	DICKEY & BURHAM INC	\$ 2,235,840.33	Construction Services
18	PETER STEPHEN BAENZIGER (NOTE 4)	\$ 2,107,673.82	Professor
19	CITY OF LINCOLN (NOTE 5)	\$ 2,032,410.29	Utilities and Transportation Services
20	WINDSTREAM CORPORATION	\$ 1,909,399.55	Utilities
21	BIG 12 CONFERENCE (NOTE 8)	\$ 1,840,046.85	Athletic Conference
22	CHIEF CONSTRUCTION CO	\$ 1,676,510.10	Construction Services
23	VERIZON WIRELESS	\$ 1,562,631.91	Wireless Services
24	CARDINAL DISTRIBUTION	\$ 1,431,434.86	Pharmaceutical Services
25	BLACKBURN CATTLE CO	\$ 1,399,375.68	Livestock
26	EBSCO	\$ 1,271,634.01	Academic Resource Services
27	SWETS INFORMATION SERVICES	\$ 1,249,545.22	Information Services
28	OFFICE INTERIORS & DESIGN	\$ 1,234,234.97	Office Furnishings
29	GENERAL EXCAVATING	\$ 1,113,498.24	Construction Services
30	INVITROGEN	\$ 1,042,007.15	Science Equipment & Materials
31	NGC GROUP INC	\$ 1,039,609.12	Construction Services
32	GOVCONNECTION INC	\$ 957,029.84	IT Equipment & Supplies
33	SOFTWARE HOUSE INTERNATIONAL INC	\$ 951,249.75	Software Licenses
34	LINCOLN PRO BASEBALL (NOTE 6)	\$ 934,489.67	Baseball and Softball Complex
35	PEPSI COLA BOTTLING	\$ 925,647.30	Food Services
36	OAK CREEK RANCH INC	\$ 904,244.45	Livestock
37	VALENTINOS OF LINCOLN	\$ 897,374.69	Food Services
38	BRUKER BIOSPIN CORPORATION	\$ 875,721.67	Scientific Equipment & Materials
39	SAPP BROTHERS PETROLEUM	\$ 840,896.11	Fuel
40	SIGMA ALDRICH INC	\$ 835,792.08	Science Equipment & Materials
41	H & S PLUMBING & HEATING	\$ 832,354.38	Construction Services
42	VWR INTERNATIONAL LLC	\$ 825,085.64	Science Equipment & Materials
43	AMSAN	\$ 812,772.89	Facility Maintenance Supplies

(Continued)

UNIVERSITY OF NEBRASKA-LINCOLN
PROCUREMENT PROCESS

EXHIBIT A

100 LARGEST VENDORS DURING CALENDAR YEAR 2011 BY AMOUNT PAID

	Vendor Name	Amount Paid	Vendor Description
44	COUTTS INFORMATION SERVICES	\$ 800,134.74	Library Services
45	MECO HENNE CONTRACTING	\$ 795,603.00	Construction Services
46	NUTECH VENTURES	\$ 777,911.50	Joint Agreement
47	WESTERN WATERPROOFING CO	\$ 750,850.51	Construction Services
48	DEMMA FRUIT	\$ 748,247.05	Food Services
49	CHARTERSEARCH	\$ 739,787.14	Team Air Charter Services
50	OGALLALA LIVESTOCK AUCTION	\$ 729,761.35	Livestock
51	DOUGLAS STEWART CO INC	\$ 709,306.59	Education Supplies
52	KONICA MINOLTA BUSINESS SOLUTIONS	\$ 683,937.85	Copier Services
53	WAYNE DOWHOWER CONSTRUCTION INC	\$ 677,496.09	Construction Services
54	INTERNATIONAL STUDIES ABROAD INC	\$ 623,870.00	International Education Services
55	ALL MAKES OFFICE EQUIPMENT CO	\$ 623,715.93	Office Furnishings
56	SINCLAIR HILLE AND ASSOCIATES	\$ 622,763.03	Architectural Services
57	VOYAGER FLEET SYSTEM INC	\$ 607,036.90	Fuel Payment Services
58	CSG SCIENTIFIC	\$ 599,052.36	Facility Maintenance Supplies
59	UNIVERSITY OF ZAMBIA	\$ 598,855.14	Research
60	VAN KIRK SAND & GRAVEL INC	\$ 597,120.00	Construction Services
61	ANDERSON FORD INC	\$ 583,704.50	Vehicles
62	KIDWELL	\$ 573,204.53	Electrical Services
63	BLACK HILLS ENERGY	\$ 550,246.59	Utilities
64	SYSCO LINCOLN	\$ 548,628.11	Foodservice Equipment
65	TIME WARNER CABLE	\$ 534,075.95	Cable TV Provider
66	HAWKINS CONSTRUCTION CO	\$ 533,650.00	Construction Services
67	ARCHER DANIELS MIDLAND CO	\$ 533,300.70	Agricultural Products
68	MORRISSEY ENGINEERING INC	\$ 531,538.50	Construction Services
69	HUSKER AUTO GROUP	\$ 511,716.30	Vehicles
70	BOCKMANN INC	\$ 508,667.99	Construction Services
71	DELTA AIR LINES INC	\$ 505,254.32	Air Travel
72	TSYS MERCHANT SOLUTIONS	\$ 503,280.08	Debit/Credit Card Processing
73	TRAVEL & TRANSPORT	\$ 493,678.00	Travel Services
74	RASMUSSEN MECHANICAL SERVICES	\$ 470,412.06	Facility Maintenance Services
75	ROBERT MILLER GALLERY	\$ 445,000.00	Art Exhibition
76	EMBASSY SUITES LINCOLN	\$ 442,137.26	Lodging
77	IMPERIAL PALACE EXPRESS (NOTE 7)	\$ 432,400.78	Food Services
78	CREIGHTON LIVESTOCK MARKET	\$ 432,319.69	Livestock
79	BIG TEN CONFERENCE INC (NOTE 8)	\$ 431,822.00	Athletic Conference
80	KIEWIT BLDG GROUP INC	\$ 416,600.00	Construction Services
81	LUTZ DAILY & BRAIN LLC	\$ 404,632.78	Construction Services
82	AB SCIEX LLC	\$ 404,429.19	Science Equipment & Materials
83	STUTHEIT IMPLEMENT CO	\$ 402,861.82	Agricultural Equipment
84	UNDERWOOD CATTLE CO INC	\$ 402,781.34	Livestock
85	JEWISH PUBLICATION SOCIETY	\$ 400,000.00	Academic Resource Services
86	FEDERAL EXPRESS CORP	\$ 398,085.56	Transportation Services

(Continued)

UNIVERSITY OF NEBRASKA-LINCOLN
PROCUREMENT PROCESS

EXHIBIT A

100 LARGEST VENDORS DURING CALENDAR YEAR 2011 BY AMOUNT PAID

	Vendor Name	Amount Paid	Vendor Description
87	CORNHUSKER MARRIOTT HOTEL	\$ 390,795.56	Lodging
88	FARRIS ENGINEERING	\$ 389,769.78	Construction Services
89	THOMSON REUTERS SCIENTIFIC	\$ 387,229.00	Academic Resource Services
90	WEST PAYMENT CENTER	\$ 385,410.98	Academic Resource Services
91	WELDON WILLIAMS & LICK INC	\$ 374,951.58	Event Tickets
92	SIGNCO INC	\$ 368,079.96	Signs
93	ROBERTS DAIRY	\$ 364,726.67	Food Services
94	CAMBRIDGE NANOTECH INC	\$ 348,806.50	Scientific Equipment & Materials
95	VAN HOUSEN TRUCKING LLC	\$ 348,562.30	Transportation Services
96	HOCKENBERGS	\$ 347,927.62	Foodservice Equipment
97	PROGRESSIVE ELECTRIC	\$ 346,240.35	Electrical Services
98	CHEZ HAY CATERING INC	\$ 345,093.23	Food Services
99	NEOGEN CORP	\$ 335,052.10	Food and Animal Safety Products
100	MACKAY MITCHELL ARCHITECTS	\$ 333,937.31	Construction Services

Note 1: The information shown above is from SAP, the University's Accounting and Record Keeping System. The APA excluded vendors that were banks, as payments were for Bonds, and payments for Student Accounts, other State Universities, State agencies, and interdepartmental charges.

Note 2: Included in the Sampson Construction amount are payments for the East Stadium addition to Memorial Stadium, which was bid out as a Construction Manager at Risk (CMR) contract. Unlike many building projects, where the bid for construction costs is performed after the project is designed, the CMR is selected prior to the design process, and the CMR works with the architect to complete the design. As a result, the bid evaluation of CMR projects is different than the normal process, where the lowest bid on an already-designed project is selected. CMR Bids are evaluated on the qualifications of the company, based on similar projects undertaken, and a cost estimate to perform the CMR duties. Once the design is near completion, the CMR negotiates a Guaranteed Maximum Price with UNL. The Guaranteed Maximum Price is the total amount UNL will pay for the project. Any overages that arise in the normal course of construction are the responsibility of the CMR. The Guaranteed Maximum Price for the East Stadium Project is \$55,659,500. Of the total paid to Sampson, \$4,120,027, was related to the CMR East Stadium Project.

Note 3: The payment amount shown to Follett Higher Education Group reflects student purchases from UNL bookstores, which are made on the NCard and for interdepartmental purchases from the UNL bookstores. Students make NCard payments to UNL. These payments are processed through UNL and then UNL makes payment to Follett. An NCard is the Student's ID card which can also be tied to a Campus Account allowing the student to make purchases at various merchants. UNL does have a contract to lease space to Follett Higher Education Group to operate UNL's bookstores. This lease agreement requires Follett Higher Education Group to pay a commission to UNL based on the bookstore sales level. Additionally, this agreement also specifies the percentage markup allowed on new textbooks, pricing of used textbooks, and the percentage to be paid to students to buy back textbooks.

Note 4: The payments to Dr. Peter Stephen Baenziger, Professor of Agronomy and Horticulture at the University of Nebraska, are primarily for distribution of royalties received on licensed inventions, including various breeds of wheat varieties developed through research at UNL. Distributions of royalties received on inventions are made in accordance with section 3.10 of the Bylaws of the Board of Regents and Board of Regents Patent and Technology Transfer Policy.

Note 5: Payments to the City of Lincoln are primarily for services provided by the Lincoln Water System and StarTran. UNL paid approximately \$968,000 and \$510,000 to the Lincoln Water System and StarTran, respectively.

Note 6: Payments to Lincoln Pro Baseball are for rent and shared expenses related to the use of baseball and softball facilities at Haymarket Park.

Note 7: Similar to the Follett Higher Education Group, the payments to Imperial Palace reflect student purchases made using the NCard. These payments go through the same process as NCard purchases from Follett. Imperial Palace has a contract with UNL to lease space at the Student Union where they sell food. Imperial Palace then pays UNL a certain percentage of sales.

Note 8: Payments to the Big Ten and Big 12 Conferences included officiating expenses, quarterly assessments, and ticket sales for basketball and the Championship Football game.

Note 9: The Nebraska Utilities Corp. is an interlocal agreement formed among the Board of Regents, Lincoln Electric System, and the City of Lincoln. The Nebraska Utilities Corporation provides electrical power, other utility services, and infrastructure upgrades to the UNL campus.

(Concluded)