



Review of Amazon Prime Purchases
Procurement Services

August 3, 2020

Office of Internal Audit and Risk Management



Missouri State[™]

U N I V E R S I T Y

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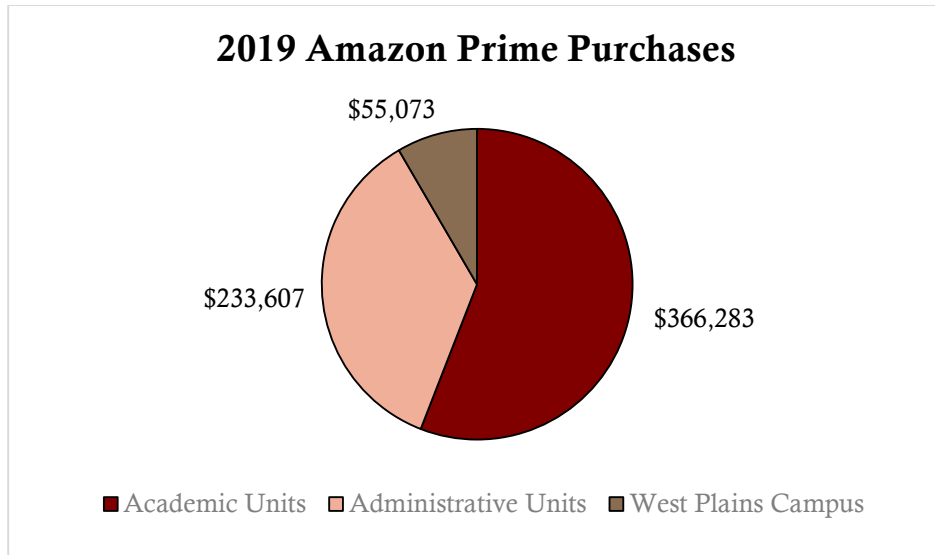
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BACKGROUND

In January 2019, the University paid \$3,499 for an Amazon Prime business membership for all university colleges and departments to have access to a myriad of savings and efficiencies. The Office of Procurement Services estimated that the discounts and free shipping offers would more than make up for the additional cost the University incurred to monitor and guide purchases. Our review noted the University received discounts totaling \$15,833, plus free shipping and other benefits resulting from the 2019 membership. See Appendix 1.

During the year ended December 31, 2019, the University system spent nearly \$655,000 with Amazon. According to spending data extracted from the Amazon system, the largest number of orders and dollars spent were for office products (15%), books (14%), home improvement items (12%), and personal computers (12%). See Appendix 2. Purchases made by the University's academic units, administrative units and the West Plains Campus are shown in the chart below:



OBJECTIVE AND SCOPE

The objectives were to review purchases made using the University's Amazon Prime Business Membership. The scope included, but was not necessarily limited to the calendar year 2019.

SUMMARY

The University's membership has paid for itself in discounts, free shipping and other price points offered; however, lower prices for office supplies and copy paper could have been obtain from University contractors other than Amazon. In some instances, savings of up to 50% could have been realized. This review recommended the Office of Procurement Services consider adding banner notifications to the office product category of Amazon to advise users to compare pricing with other University contractors. Additionally, recommendations were made to increase procedures used to review procurement card transactions and to clarify what transactions are unallowable. Procedures also need improved to ensure membership access is terminated when a user leaves University employment, and to address personal purchases.

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OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

The Amazon Prime business membership offers several controls to help manage and guide users to the best products at the lowest prices and ensure compliance with University policies. The Office of Procurement Services has utilized many of these controls and has implemented review procedures to provide additional assurance of policy compliance. Our review identified the following areas could benefit from improved procedures and controls.

A. Encourage Comparative Pricing

Nearly \$100,000 was paid to Amazon for purchases of office supplies and copy paper when the University has separate vendor contracts for these items at lower prices.

In a comparison of selected items purchased, we found an average savings of approximately 30 percent on office supplies when ordered from Office Depot, and an average savings of approximately 50 percent on copy paper when ordered internally from the University's Central Stores. For example, one Amazon Prime user ordered a dozen black EXPO brand dry erase markers from Amazon Prime at a cost of \$17 per dozen; however, the exact same product could have been ordered from Office Depot for \$9, a saving of \$8 or 48 percent. Another Amazon Prime user ordered two HP printer ink cartridges and 5 reams of white paper from Amazon at a cost of \$384; however, the two HP printer ink cartridges could have been ordered from Office Depot for \$238 and the white paper could have been ordered internally from Central Stores for \$15, for a total savings of \$131 or 34 percent.

Operating Policy 8.16, Procurement Procedures, states, "Although solicitation is not required for purchases costing less than \$3,000, university staff are encouraged to exercise good judgment to ensure university funds are spent reasonably and responsibly. Governing Policy 1.13, Fiscal Responsibility, further explains that University employees have an "obligation to practice conscious and wise stewardship" of University funds. To encourage fiscal responsibility, Procurement Services should utilize banner notifications within the Amazon Prime system directing employees to University contracts and consider more education of users to encourage price comparisons for items such as, office supplies and copy paper before purchasing.

B. Unallowable Procurement Card Purchases

Users have ordered items from Amazon Prime which are specifically identified as unallowable purchases on a university procurement card. Examples include computers, food, furniture and many other items. However, if a purchaser can provide reasonable support for purchasing an unallowable item, a written exception letter may be granted from Procurement Services and the charges are allowed on a university procurement card.

In a review of 69 Amazon Prime orders of items that appeared to be unallowable, we found 46 of the 69 orders were not supported by a written exception. We learned that exceptions were not requested for many of these purchases because the guidelines established by Procurement Services are unclear. For example, computers, laptops and monitors are considered unallowable purchases; however, Procurement Services does not identify Microsoft Surfaces or Chromebooks and Apple iPads as computers, regardless of their use or capabilities. Clarifying the list of unallowable procurement card purchases would be beneficial to users.

Also, some unallowable purchases were not identified by Procurement Services because the procurement card system does not always provide a complete listing of what was purchased from Amazon Prime. These purchases must be viewed through the Amazon Prime system to view the details of what was purchased. Adding a review of the Amazon Prime system purchases would improve the monitoring procedures already established by Procurement Services.

C. Terminated Users

Procurement Services has not immediately terminated Amazon Prime access for users who are no longer working for the University. As of March 12, 2020, the University had 455 registered users for its Amazon Prime account. Of these 455 users, 12 were determined to no longer be employed by the University; including 9 who had been terminated for more than 100 days prior to our review. To ensure the benefits offered by the University's membership are used solely for University purposes, it is important to ensure access to the Amazon Prime membership is terminated immediately upon the resignation or termination of an employee.

D. Personal Purchases

The University's Amazon Prime Membership, related benefits and tax exemption has been used to make personal purchases in violation of university policy. During the year ended December 31, 2019, 105 personal orders were placed by 22 different users. Although these purchases were not paid for by the University and totaled only \$2,594, these users benefited from the membership through pricing discounts, free shipping and tax exemption. See Appendix 3. According to University Governing Policy G1.29 Code of Conduct, "University resources must be reserved for business purposes on behalf of the University. They may not be used for personal gain, and may not be used for personal use except in a manner that is incidental, and reasonable in light of the employee's duties."

Procurement Services established a webpage for the Amazon Prime Business Account which provides users information regarding restrictions of use and developed procedures to identify personal purchases. When personal purchases are identified, an email from Procurement Services is sent to the user (not the employee's supervisor) reminding them that the membership must be used only for University purchases.

While the Office of Procurement should be commended for its forward thinking and ability to identify these issues, the Code of Conduct policy states suspected violations are to be immediately reported to the direct supervisor. In addition, the directive offered on the Amazon Business Account webpage could be strengthened by linking to the Code of Conduct and identifying misuse of this membership as a direct violation of that policy.

Recommendations

The Office of Procurement should:

- A. Utilize banner notifications in the Amazon Prime account to encourage users to compare prices of office products before purchasing.
- B. Clarify the list of unallowable procurement card purchases, educate cardholders on these changes and consider developing separate review procedures for Amazon Prime purchases on a periodic basis.

- C. Develop procedures to ensure the University's Amazon Prime Business account access is immediately terminated for all employees who are no longer associated with the University.
- D. Ensure violations of the Code of Conduct are reported to the user's direct supervisor and strengthen the information on the Amazon Business Account webpage to directly identify the misuse of the membership as a Code of Conduct violation.

Management's Responses

Procurement Services provided the following responses:

- A. *Banners have been utilized from the outset to notify users when purchasing unallowable procurement card purchases. A new banner has been added to notify end-users when purchasing office product categories as listed below:*

'Please compare prices for office supplies & printer ink to Office Depot. Also, use Central Stores for paper supplies.'

- B. *Procurement Services will review and revise the unallowable procurement card purchases and make the necessary changes.*

A separate review process for Amazon Prime purchases is already in place and will continue to be used to review purchases on a periodic basis. The review process currently focuses on payment methods and shipping addresses. It will now include a review of certain categories of products.

- C. *These procedures are now in place.*

- D. *The user's direct supervisor will now be included in any violation notification.*

Appendix 1
Purchases by Division

University Unit	Value of Purchases	Quantity of Orders	Value of Discounts Received
Office of the Provost	\$ 37,500	314	\$ 553
Library Services	\$ 29,759	417	\$ 259
College of Arts and Letters	\$ 94,708	828	\$ 1,804
College of Business	\$ 19,581	225	\$ 506
College of Education	\$ 52,861	381	\$ 1,479
College of Humanities and Public Affairs	\$ 15,642	137	\$ 918
College of Natural and Applied Sciences	\$ 62,069	665	\$ 1,603
McQueary College of Health and Human Services	\$ 41,243	380	\$ 644
Darr College of Agriculture	\$ 7,077	104	\$ 208
Graduate College	\$ 5,843	50	\$ 36
Totals for Academic Units	\$ 366,283	56% 3,501	54% \$ 8,010
Office of the President	\$ 3,189	33	\$ 129
Division of Administrative Services	\$ 59,902	535	\$ 1,504
Division of Student Affairs	\$ 97,989	1175	\$ 2,598
Division of University Advancement	\$ 6,902	107	\$ 213
Division of Research, Economic Development & International Programs	\$ 37,227	427	\$ 988
Division of Information Services	\$ 12,033	84	\$ 415
Division of Marketing and Communications	\$ 3,512	45	\$ 32
Division of Financial Services	\$ 4,943	16	\$ 662
Intercollegiate Athletics	\$ 7,910	64	\$ 237
Totals for Administrative Units	\$ 233,607	36% 2,486	39% \$ 6,778
Totals for West Plains	\$ 55,073	8% 428	7% \$ 1,045
Grand Totals	\$ 654,963	6,415	\$ 15,833

Appendix 2
Purchases By Product Type

Product Type	Number of Orders	Payment Amount	Percentage of Total
Office Products	1156	\$ 97,372	14.87%
Books	1064	\$ 92,465	14.12%
Home Improvement	852	\$ 80,418	12.28%
Personal Computers	428	\$ 76,352	11.66%
Computer Accessories	431	\$ 54,664	8.35%
Business, Industrial, & Scientific Supplies	415	\$ 46,476	7.10%
Health and Beauty	317	\$ 18,964	2.90%
Photography	81	\$ 18,551	2.83%
Speakers	169	\$ 18,402	2.81%
Sports	132	\$ 17,330	2.65%
Toys	161	\$ 15,579	2.38%
Lawn & Patio	112	\$ 12,910	1.97%
Kitchen	165	\$ 12,243	1.87%
Apparel	139	\$ 11,334	1.73%
Art and Craft Supplies	134	\$ 10,703	1.63%
Musical Instruments	57	\$ 8,955	1.37%
Wireless	54	\$ 6,948	1.06%
Home Theater	28	\$ 6,604	1.01%
Groceries	104	\$ 6,472	0.99%
Furniture	38	\$ 5,857	0.89%
Lighting	31	\$ 4,940	0.75%
* Prime	1	\$ 3,499	0.53%
Automotive Parts and Accessories	53	\$ 3,208	0.49%
Beauty	61	\$ 3,086	0.47%
DVD	58	\$ 2,677	0.41%
GPS or Navigation System	4	\$ 2,367	0.36%
Miscellaneous	16	\$ 1,931	0.29%
Gift Cards	10	\$ 1,860	0.28%
Video Games	6	\$ 1,778	0.27%
Software	7	\$ 1,609	0.25%
Pet Products	31	\$ 1,600	0.24%
Shoes	19	\$ 1,404	0.21%
Luggage	11	\$ 1,286	0.20%
Pantry	32	\$ 1,261	0.19%
Major Appliances	7	\$ 1,049	0.16%
Audio Video	4	\$ 672	0.10%
Network Media Player	3	\$ 560	0.09%
Baby Products	9	\$ 529	0.08%
Car Audio or Theater	2	\$ 332	0.05%
Amazon Ereaders	1	\$ 187	0.03%
Amazon Basics	2	\$ 181	0.03%
Premium Consumer Electronics Brands	3	\$ 173	0.03%
Download Sports	1	\$ 82	0.01%
Amazon Tablets	1	\$ 40	0.01%
Jewelry	4	\$ 34	0.01%
MotorCycle	1	\$ 19	0.00%
TOTAL	\$ 6,415	\$ 654,963	

* This transaction represents the purchase of the Amazon Prime Membership.

Appendix 3
Personal Purchases

Product Category	Total Spent
Apparel	\$ 168.92
Art and Craft Supplies	\$ 65.18
Automotive Parts and Accessories	\$ 48.99
Beauty	\$ 89.94
Books	\$ 440.90
Business, Industrial, & Scientific Supplies	\$ 7.99
DVD	\$ 13.26
Groceries	\$ 88.07
Health and Beauty	\$ 245.25
Home	\$ 125.46
Home Improvement	\$ 534.53
Jewelry	\$ 34.23
Kitchen	\$ 60.65
Lawn & Patio	\$ 23.03
Miscellaneous	\$ 8.44
Office Products	\$ 65.11
PC Accessories	\$ 23.78
Personal Computer	\$ 172.35
Pet Products	\$ 38.69
Photography	\$ 19.07
Shoes	\$ 35.58
Speakers	\$ 18.15
Sports	\$ 89.24
Toys	\$ 79.26
Wireless	\$ 97.80
Total	\$ 2,593.87