State of New Jersey

OFFICE OF THE STATE COMPTROLLER
P.O. BOX 024
TRENTON, NJ 08625-0024

CHRIS CHRISTIE
Governor
KIM GUADAGNO
Lt. Governor

A. MATTHEW BOXER
State Comptroller

January 19, 2011

Contact: Pete McAleer
609-633-2377

State Comptroller audit reveals key deficiencies in contracting at Rutgers University

Audit makes 18 recommendations for improving the university's contracting and financial practices

Rutgers University restricts competition for its public contracts by rejecting basic bidding requirements imposed on all other New Jersey state colleges and universities, an Office of the State Comptroller (OSC) audit has found.

The audit of Rutgers' procurement practices found that in almost all instances the university does not publicly advertise for its contracts, instead selecting preferred vendors by taking advantage of a unique statutory exemption. Under current state law, bidding requirements applicable to all other state colleges and universities do not apply to Rutgers.

For example, the audit found Rutgers hinders competition by typically inviting only six to 10 vendors to bid on its construction contracts, even though the university itself has deemed approximately 150 such firms as generally being qualified to bid. Many of the same firms were repeatedly chosen to bid, the audit found.

"When public tax dollars are being spent, there is an obligation to avoid unfair favoritism toward particular vendors and make every effort to seek the best price available," State Comptroller Matthew Boxer said. "Unlike at other state colleges and universities, neither current law nor Rutgers' own rules require it to do that."

Rutgers further limits competition by entering into noncompetitive "negotiated" agreements with vendors when deemed to be "in the best interests of the University." The university's purchasing policy does not define "best interests."

An OSC review of 11 such negotiated contracts -- from air charter and hotel accommodations for the university football team to locksmith and security supplies -- determined that in each instance no documentation existed to justify the decision not to use a competitive vendor-selection process.

Similarly, Rutgers' purchasing policy permits the university to select a vendor without competition where it believes a particular vendor should be awarded the contract "for specific reasons." The policy does not define such reasons.

In one instance, the university granted a waiver from competition to award a $325,000 contract to provide parking management services during basketball and football games at the university. The same vendor has now held that contract for 16 years without competition. While the waiver form characterized parking management as a unique service for which competitive bids could not be solicited, auditors found at least four other vendors that offer local parking management services for sporting events.

The audit report found that these policies and practices run counter to the basic tenet of public procurement that unrestricted competition reduces the opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically.

The audit makes a total of 18 recommendations, most of which are directed toward the university's contracting procedures. Rutgers has already adopted or committed to adopt 16 of those recommendations.

"Questions have been raised about Rutgers' contracting over the years so we took a look at how the process works at the university," Boxer said. "What we found is that Rutgers is permitted to avoid competitive processes that all other public colleges in New Jersey must use. Its procurement policy allows for exceptions that are so general and undefined, they essentially give Rutgers officials unfettered discretion when selecting vendors."

The OSC audit also found Rutgers fails to require its vendors to disclose ownership information, making it impossible for the university to properly enforce its nepotism policy prohibiting the award of contracts to university employees or their immediate family members.

Responding to tips, OSC auditors found two Rutgers vendors were in fact spouses of Rutgers employees. Rutgers officials, who said they were already aware of the conflicts, ended up taking widely different disciplinary action in the two cases. In one case, the employee who approved the contract was demoted and received a cut in salary while the employee related to the vendor received a letter of reprimand. In the second situation, no one was disciplined. Instead, the university addressed the violation by cancelling the contract and creating a temporary employment position for the employee-related vendor. OSC has referred this matter to the State Ethics Commission.

The audit also found:

- Three years after an unfavorable review by the State Commission of Investigation, Rutgers' university-wide administrative system continues to experience cost overruns and technical difficulties and its implementation still is not complete. Four of the system applications purchased in 1999 still have not been installed. Vendor payments are now projected to total $35.7 million, as compared to the original contract amount of $12.5 million.

- The university repeatedly misused its process for handling small-dollar purchases known as quick orders. For example, the university improperly used quick orders in spending over $3.4 million for items that required additional approvals. OSC's review of a sample of 52 quick orders found that 30 did not comply with Rutgers' internal policies.

.

According to the OSC audit, in fiscal year 2009 Rutgers' total operating expenses were $1.68 billion and the state provided Rutgers $450 million in state appropriations and state-paid employee benefits. The vast majority of the university's employees are also included in the state pension system.