

## **ARIZONA AUDITOR GENERAL EMAIL CLARIFYING “USING PURCHASING COOPERATIVES” ARTICLE IN JULY 2005 NEWSLETTER**

### **AUDITOR GENERAL EMAIL – SENT 9/13/05:**

"ASD Mail Account" <[asd@auditorgen.state.az.us](mailto:asd@auditorgen.state.az.us)> writes: It has come to our attention that the article in July's School District Flyer titled "Using Purchasing Cooperatives" has caused some misunderstanding as to what amount and complexity of due diligence is required when districts use purchasing cooperatives. The article was intended to remind school districts of their responsibility to ensure that procurements, whether done independently or through a cooperative purchasing agreement, are done in accordance with School District Procurement Rules. The article was not intended to address the amount or complexity of due diligence required.

The appropriate amount and complexity of due diligence to be performed by a district will vary based on the procuring entity with which the district is participating. A.R.S. §15-213(F) requires school districts and school purchasing cooperatives, in connection with any audit conducted by a certified public accountant, to have a systematic review of purchasing practices. Guidelines for performing these reviews have been prescribed by our Office as part of the USFR Compliance Questionnaire (for school districts) and the Procurement Compliance Questionnaire (for cooperatives). A cooperative or lead district that has had such a review within the past year may not warrant the same amount or complexity of due diligence as an entity that has not undergone a review. Further, an entity that had no findings as a result of its review may need little or no additional due diligence beyond obtaining the results of the review. However, an entity that had significant findings would require a greater amount and complexity of due diligence. Districts should also consider any other information available on the entity's procurement practices.

Also, it is not necessary for districts to perform due diligence for every contract procured through cooperative purchasing. It may be adequate to perform due diligence on a sample of contracts procured by a particular cooperative or lead district if that sample provides reasonable assurance that the entities procurement practices comply with the School District Procurement Rules. To perform due diligence, districts may want to consider using the procurement questions in the compliance questionnaires as a guide in reviewing cooperative purchases. School districts must use their judgment in determining the appropriate amount and complexity of due diligence required for each procuring entity with which they participate. For audit purposes, districts should retain documentation of the due diligence performed and its results.

If you have questions concerning this matter, please contact the Accounting Services Division at (602) 553-0333.