June 4, 2015

Dr. Mildred Garcia, President  
California State University, Fullerton  
800 North State College Boulevard  
Fullerton, CA 92834-9480

Dear Dr. Garcia:

Subject: Audit Report 15-37, Information Technology Procurement,  
California State University, Fullerton

We have completed an audit of Information Technology Procurement as part of our 2015 Audit Plan, and the final report is attached for your reference. The audit was conducted in accordance with the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing.

There were no reportable observations revealed during the review. The final audit report has been posted to the Office of Audit and Advisory Services’ website.

I wish to express my appreciation for the cooperation extended by the campus personnel over the course of this review.

Sincerely,

Larry Mandel  
Vice Chancellor and Chief Audit Officer

c: Timothy P. White, Chancellor
INFORMATION TECHNOLOGY PROCUREMENT

California State University,
Fullerton

Audit Report 15-37
May 20, 2015
EXECUTIVE SUMMARY

OBJECTIVE

The objectives of the audit were to provide assurance that the management control framework that supported information technology (IT) procurement and contracting were appropriate, complete and effective; that procurement and contracting activities complied with applicable policies, procedures, laws, and regulations; and that IT project oversight included appropriate budget management and reporting.

CONCLUSION

Based upon the results of the work performed within the scope of the audit, the fiscal, operational and administrative controls in effect as of March 13, 2015, taken as a whole, were sufficient to meet the objectives of this audit.

In general, the controls and processes over IT procurement at California State University, Fullerton (CSUF) provide reasonable assurance that procurement and contracting activities comply with applicable policies, procedures, and regulations.

During the period of our review, CSUF did not have any major IT projects under way that would require compliance with the California State University (CSU) project management and reporting guidelines.

Our results indicate that the campus provided oversight of IT purchasing by departments, colleges, and auxiliary organizations and operated in accordance with the contracting and procurement requirements outlined in Section 5000 of the Integrated California State University Administrative Manual (ICSUAM). The campus demonstrated oversight through its documented practices and by providing evidence for processes such as sole-source bidding requests and approvals and accessible technology review and approval. CSUF also demonstrated oversight of the use of procurement cards for purchases of IT equipment, including authorization and monitoring of prohibited IT purchases.

Our audit procedures identified opportunities to improve communication of IT purchasing requirements to employees. We noted that the campus IT purchasing website did not reflect current practices. The website was updated before the end of fieldwork, and we did not consider this to be a significant issue.

There were no reportable observations revealed during the review.
GENERAL INFORMATION

BACKGROUND

Public Contract Code Sections 10295 and 12120 require the CSU to maintain an independent procurement authority separate from the state departments of General Services and Finance.

Public Contract Code Section 12100.5 requires the Trustees to develop and maintain policies that further the legislative policies for information technology resources (ITR) procurement as expressed in sections 12100 et seq. of the Public Contract Code.

In accordance with the Public Contract Codes listed above, the CSU has developed specific policies in the ICSUAM related to purchasing and has issued an Executive Order (EO) related to procurement of IT equipment and services. The CSU-specific purchasing criteria are listed below.

CSU guidance states that ITR are defined to include, but are not limited to: all electronic technology systems and services; automated information handling; system design and analysis; conversion of data; computer programming; information storage and retrieval; telecommunications that include voice, video, and data communications; requisite system controls; simulation; electronic commerce; and all related interactions between people and machines.

The campus is responsible for assuring that all applicable state procurement laws and regulations are followed, in addition to the policies contained herein. In addition, each campus shall employ sound and appropriate business practices to guide and control the planning, acquisition, development, operation, maintenance, and evaluation of all ITR-related applications.

It is the policy of the CSU that campuses be given the choice of vendors that best meet individual or unique campus hardware, service, and application requirements. Long-term contracts with annual cancellation and funding-out clauses are encouraged, as they help protect the CSU’s investment, as well as provide multiyear renewal options that encourage vendors to develop higher levels of service and support (Ref. Public Contract Code 12101.5(a)).

In 2013, CSUF implemented the Centralized Information Technology Purchasing Initiative. The initiative requires that all purchases of IT equipment by campus departments, self-support programs, and auxiliaries be ordered and managed centrally through the contracts and procurement department (C&P) and be reviewed and approved by the Division of Information Technology (DIT). At CSUF, procurement card IT purchases are prohibited unless prior documented approval is obtained from the DIT. The campus performs 100 percent review of all monthly procurement card reconciliations, which assists in the detection of any unauthorized IT purchases.
SCOPE

We visited CSUF from February 23, 2015, through March 13, 2015. Our audit and evaluation included the audit tests we considered necessary in determining whether operational and administrative controls are in place and operative. The audit focused on procedures in effect from January 1, 2014, through March 13, 2015.

Specifically, we reviewed and tested:

- Authorization and administrative processing controls over IT procurement and contracting activities.
- Processes to ensure competitive bidding requirements were satisfied, when applicable, for all purchases of IT equipment or services.
- IT purchase transactions to ensure compliance with applicable campus and CSU policies, and state and federal laws and regulations.
- IT procurement card purchase transactions to ensure compliance with campus and CSU policies.
- Methods for classifying significant IT projects to ensure compliance with the project management guidelines and periodic reporting requirements.
- Project management and administration of significant IT projects, including project authorization, feasibility studies, budget management, cost reporting, and project status reporting.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

Our testing and methodology was designed to provide a managerial-level review of IT procurement practices, which included detailed testing of a sample of IT-related purchases and testing of large IT projects that surpassed the established CSU dollar threshold requiring additional executive management oversight. Our testing approach was designed to provide a broad view of controls surrounding information technology purchases.

CRITERIA

Our audit was based upon standards as set forth in CSU Board of Trustee policies; Office of the Chancellor policies, letters, and directives; campus policies and procedures; and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing.*
This review emphasized, but was not limited to, compliance with:

- EO 862, *Information Technology Project Management*
- ICSUAM §5500, *ITR Procurement Policy*
- ICSUAM §5501, *Solicitation Thresholds for ITR Goods and Services*
- ICSUAM §5502, *Formal Solicitations for ITR Goods and Services*
- ICSUAM §5503, *ITR Project Solicitation Plans*
- ICSUAM §5505, *Competitive Solicitation*
- Contracting Resource Library 055, *Model Information Technology Project and Procurement Planning Guidelines*

**AUDIT TEAM**

Senior Director: Mike Caldera  
Audit Manager: Greg Dove  
Senior Auditor: Linda Rathfelder