

Audit and Advisory Services
401 Golden Shore
Long Beach, CA 90802-4210

Vlad Marinescu
Vice Chancellor and
Chief Audit Officer
562-951-4430
vmarinescu@calstate.edu

May 13, 2021

Dr. Soraya M. Coley, President
California State Polytechnic University, Pomona
3801 W. Temple Avenue
Pomona, CA 91768

Dear Dr. Coley:

Subject: Audit Report 20-09, Procurement, California State Polytechnic University, Pomona

We have completed an audit of *Procurement* as part of our 2020-2021 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 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,



Vlad Marinescu
Vice Chancellor and Chief Audit Officer

c: Joseph I. Castro, Chancellor
Adam Day, Chair, Committee on Audit
Jane W. Carney, Vice Chair, Committee on Audit

CSU Campuses

Bakersfield • Channel Islands • Chico • Dominguez Hills • East Bay • Fresno • Fullerton • Humboldt • Long Beach • Los Angeles • Maritime Academy • Monterey Bay
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PROCUREMENT

California State Polytechnic University, Pomona

Audit Report 20-09
May 13, 2021

EXECUTIVE SUMMARY

OBJECTIVE

The objectives of the audit were to ascertain the effectiveness of operational and administrative controls for procurement and to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor (CO) directives, and related campus procedures.

CONCLUSION

Based upon the results of the work performed within the scope of the audit, the operational and administrative controls for procurement as of March 5, 2021, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

There were no reportable observations revealed during the review.

GENERAL INFORMATION

BACKGROUND

Each fiscal year, the California State University (CSU) spends approximately \$2.7 billion on the purchase of goods and services throughout the CSU system. Procurement professionals spread across the 23 campuses and the Office of the Chancellor (CO) strategically work, research, negotiate, and partner in efforts to purposefully spend funds to support the mission of the CSU.

Contract Services and Procurement (CSP) at the CO serves as the chief procurement office in support of CO and systemwide procurement, strategic sourcing, and contracting requirements. In June 2020, CSP launched a multiyear initiative in three phases to transition the CO and campuses to a Purchase-to-Pay (P2P) model. The P2P project, known as CSUBuy, when completed, will integrate all aspects of purchasing, from sourcing to payment, into one centralized technology that integrates with PeopleSoft and Oracle. CSUBuy will capture upstream capabilities such as spending analytics, strategic sourcing, and the establishment of systemwide contracts, as well as the downstream functions of requisitioning, purchasing, and accounts payable. To date, CSP has completed most of the first two phases of CSUBuy, including a transition to Jaegger, a comprehensive spend management platform, and implementation of sourcing and contracting and spend analytics. Phase three includes implementation of supplier management, requisitioning, purchase order management, invoicing, and receiving.

In 2018, CSP also launched a three-year strategic plan for campus chief procurement officers called 23c. Among the goals was to identify and implement cost savings opportunities, with an initial goal of saving \$65 million over a three-year period. CSP provided a reporting platform, Benefit Tracker, for the campuses to report on their progress toward the goal. The campuses exceeded the first- and second-year goals of \$15 million and \$20 million, respectively, reporting savings of \$30 million in the first year and \$65 million in the second year.

Procurement services at Cal Poly Pomona is within the strategic business services department in the Administrative Affairs division. The group is composed of purchasing, contracts, systems/procurement card, and asset management and contains 11 positions. The campus spend for the 2019/20 fiscal year was \$98.2 million, of which \$4.5 million was transacted using p-cards. The campus was part of the first consortium to create and test an online marketplace with vendor-negotiated pricing and is actively participating in CSUBuy capabilities as they become available.

SCOPE

Due to temporary operating procedures and limitations resulting from the COVID-19 public health emergency, we performed fieldwork remotely from January 11, 2021, through March 5, 2021. 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 July 1, 2019, to March 5, 2021.

Specifically, we reviewed and tested:

- Organizational roles and responsibilities for oversight of procurement activities, including written delegations of authority for purchasing and contracting.
- Compliance with competitive bidding requirements and procedures for justifying and approving sole-source vendor purchases.
- Justification and documentation of any procedural exceptions for emergency purchases during the pandemic time period.
- Compliance and participation in socio-economic procurement programs, including those that identify and focus on disabled veterans, small businesses, and underserved areas.
- Compliance with sustainable procurement policies and initiatives.
- Vendor management practices, including processes to add, revise, and delete vendors to the master file.
- Proper recording and tracking of purchased assets.

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, which was designed to provide a review of key operational and administrative controls, included interviews, walkthroughs, and detailed testing on certain aspects of procurement. Our review was limited to gaining reasonable assurance that essential elements of the procurement function were in place and did not examine all aspects of the program. Due to the fact that the audit was conducted remotely, certain steps, such as validation of the existence and location of tagged assets, could not be performed.

CRITERIA

Our audit was based upon standards as set forth in federal and state regulations and guidance; Trustee policy; Office of the Chancellor directives; and campus procedures; as well as sound administrative practices and consideration of the potential impact of significant risks. 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:

- *CSU Contracts and Procurement Policy*
- *California State University Sustainability Policy*
- Executive Order (EO) 1000, *Delegation of Fiscal Authority and Responsibility*
- EO 842, *Competitive Bidding of Goods and Services*
- EO 862, *Information Technology Project Management*
- EO 775, *Delegation of Authority; Acquisition of Personal Property and Services*

- Integrated California State University Administrative Manual (ICSUAM) §1401.00, *Administration of University Property*
- *CPP Procurement Card Program Policy Manual*

AUDIT TEAM

Senior Audit Manager: Ann Hough
Senior Auditor: Laura Vazquez