

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

November 23, 2021

Dr. Judy K. Sakaki, President
Sonoma State University
1801 East Cotati Avenue
Rohnert Park, CA 94928

Dear Dr. Sakaki:

Subject: Audit Report 21-17, Procurement, Sonoma State University

We have completed an audit of *Procurement* as part of our 2021-2022 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*.

I have reviewed the management response and have concluded that it appropriately addresses our recommendations. The management response has been incorporated into the final audit report, which will be posted to Audit and Advisory Services' website. We will follow-up on the implementation of corrective actions outlined in the response and determine whether additional action is required.

Any observations not included in this report were discussed with your staff at the informal exit conference and may be subject to follow-up.

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

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PROCUREMENT

Sonoma State University

Audit Report 21-17
November 23, 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 government regulations; Trustee policy; Office of the Chancellor (CO) directives; and related campus and auxiliary organizational procedures.

CONCLUSION

Based upon the results of the work performed within the scope of the audit, except for the weaknesses described below, the operational and administrative controls for procurement as of September 3, 2021, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

Disposal of sensitive equipment needed improvement, including obtaining approval from the property survey committee before returning sensitive equipment to the vendor.

Specific observations, recommendations, and management responses are detailed in the remainder of this report. This audit report contains observations that have been redacted as they may be exempt from disclosure under the California Public Records Act (PRA). To make a PRA request, please contact auditreports@calstate.edu.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

2. DISPOSAL OF SENSITIVE EQUIPMENT

OBSERVATION

The campus did not comply with the requirements for disposing sensitive equipment and did not maintain necessary records.

The *Sonoma Property Management* policy requires tasers, which are non-capitalized equipment, to be tracked and tagged. Due to the nature and sensitive aspect of tasers, the police department is responsible for:

- Maintaining a list of all firearms and tasers along with the corresponding assigned property tag number.
- Performing a complete physical inventory on a three-year cycle as scheduled by the property management coordinator.
- Communicating the inventory list and any discrepancies to the property program coordinator during the annual department physical inventory.
- Monitoring, processing, and notifying the property program coordinator prior to all transfers and trade-in as required by the *Sonoma Property Management* policy.

We reviewed 10 annual department physical inventories completed from July 2019 to March 2020, and we noted that a property survey report was submitted for two tasers that had been returned to the vendor by the police department. We found that the police department made these returns without obtaining approval from the campus property survey committee and did not notify the property management department that the tasers were sent to the vendor. Based on our request during the audit, property management obtained supporting documentation from the police department to show that the tasers were returned to the vendor.

Adequate control over the disposal of property and equipment, especially sensitive equipment, reduces the risk that assets will be lost.

RECOMMENDATION

We recommend that the campus reiterate to appropriate campus personnel the importance of complying with the procedures noted above, including proper notification to the property program coordinator and approval from the campus property survey committee when sensitive equipment is transferred or traded in, and provide training as needed.

MANAGEMENT RESPONSE

We concur. The campus will communicate to campus personnel the importance of complying with property control procedures. The procedures include notifying the property program

coordinator and gaining pre-approval from the campus property survey committee when sensitive equipment is transferred or traded in.

Expected completion date: December 15, 2021

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 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) in 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 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 Jagger, 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. Sonoma State University's (SSU) goal of cost savings in fiscal year (FY) 2019/20 was \$400,000, and the actual campus savings was \$1,1097,155. For FY 2020/21, the goal of cost savings was \$625,000, and the actual campus savings was \$1,064,505.

At SSU, procurement and contract services (P&CS) is within the financial services (FS) department in the Division of Administration and Finance (AF). P&CS assists the campus faculty and staff with the acquisition of all goods and services to support their campus teaching activities, research, and public service requirements and issues contracts on behalf of SSU. SSU credit card holders can use CSUBuy to make purchases, which helps to ensure that the campus is receiving CSU contracted pricing. The managing director for contracts, procurements, and AP reports to the associate vice president of FS, who reports to the interim vice president of AF.

SCOPE

Due to temporary operating procedures and limitations resulting from the COVID-19 public health emergency, we performed fieldwork remotely from July 20, 2021, through September 3, 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 September 3, 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.

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) 775, *Delegation of Authority; Acquisition of Personal Property and Services*
- EO 842, *Competitive Bidding of Goods and Services*

- EO 862, *Information Technology Project Management*
- EO 1000, *Delegation of Fiscal Authority and Responsibility*
- Integrated California State University Administrative Manual §1401.00, *Administration of University Property*
- *SSU Accounts Payable and Procurement 101*
- *SSU AP Supplier ID Creation and Maintenance*
- *SSU Supplier Electronic Payment or Modification Processing*
- *SSU TIN Matching*
- *SSU Direct Pay Procedures*
- *SSU Property Management*

AUDIT TEAM

Senior Audit Manager: Joanna McDonald
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