HOUSING AND HOSPITALITY SERVICES

DINING SERVICES PURCHASING (NON-FOOD)

AUDIT REPORT #20-2205

Audit & Advisory Services

November 2021

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Background

In accordance with the UCLA Administration fiscal year 2019-2020 audit plan, Audit & Advisory (A&AS) performed a review of the Housing & Hospitality Services (H&HS) - Dining Services’ purchasing (non-food) function.

UCLA Dining Services is an award-winning program that is nationally recognized for its high quality cuisine, state-of-the-art facilities, and innovative services. It caters to the needs of its guests with convenience and flexibility in mind and offers a wide variety of menu choices, dining hours, and meal plans. Residential restaurants include Bruin Plate, Covel Commons, De Neve Dining, and FEAST at Rieber. Quick-service restaurants offer diners the opportunity to enjoy a meal in a casual café style atmosphere or take it “to-go.” The quick-service restaurants include Bruin Café, Café 1919, and Rendezvous.

Each dining location is managed by a General Manager, who reports to an Assistant Director. The Senior Director of Food and Beverage, who reports to the Assistant Vice Chancellor of Housing & Hospitality Services, oversees the entire Dining Services management team.

Purpose and Scope

The primary purpose of the review was to evaluate the adequacy and efficiency of Dining Services’ internal controls, and ensure the related systems and procedures relating to non-food purchasing activities are conducive to accomplishing its business objectives. Where applicable, compliance with University policies and procedures was also evaluated.

The scope of the audit focused on the following areas:

* Accountability Structure
* Purchasing (Non-Food)
* Information Systems

The review was conducted in conformance of the *International Standards for the Professional Practice of Internal Auditing* and included tests and other procedures considered necessary in achieving the audit purpose. Interviews were conducted with management and staff, and various other financial and administrative documents were examined.

Summary Opinion

Based on the results of the work performed within the scope of the audit, internal controls over the key areas examined were generally conducive to accomplishing the department’s business objectives. However, Dining Services’ controls and business practices could be further strengthened by implementing the following:

*Accountability Structure*

* The Chief Administrative Officer (CAO) and Departmental Security Administrators (DSAs) should monitor accountability delegations by reviewing quarterly Distributed Administrative Computing Security System (DACSS) reports. Reviewing the quarterly DACSS reports will ensure that the structure reflects access that is appropriate and consistent with the department’s organizational structure and job responsibilities. A&AS is available upon request to provide training on the DACSS reports in the Campus Data Warehouse (CDW).

*Purchasing (Non-Food)*

* Written procedures should be created to ensure that personnel who are authorized to purchase goods and services related to daily operations consistently follow the purchasing process guidelines.
* Management should ensure that records in the Asset Management System (AMS) include detailed information for all equipment inventory, such as serial numbers.

*Information Systems*

* Management should review user access to the FoodPro System on a regular basis with H&HS Dining Services Management to ensure their access to FoodPro is appropriate based on job role and function. Inactive user accounts should be disabled to prevent any unauthorized user activity.

The audit results and corresponding recommendations are detailed in the following sections of this report.

Audit Results and Recommendations

Accountability Structure

Dining Service’s accountability structure in the Distributive Administrative Computing Security System (DACSS) as of April 2021 was evaluated for effective delegation of authority in initiating, processing, reviewing non-food purchasing transactions and for adherence to the UCLA Financial Policy on “Principles of Financial Accountability.” According to the UCLA Financial Policy, maintaining and securing an effective accountability structure should provide for the routine updates of DACSS to ensure that proper access is granted to inquire, prepare, and/or review transactions.

DACSS is UCLA’s enterprise application access management system. This system allows campus departments to manage access to the resources and functions of all major University transaction systems, such as Purchasing, Accounts Payable, and Payroll. A user’s ability to perform a transaction can be limited based on organizational hierarchy and/or full accounting units (FAU). Additionally, dollar limits can be placed on financial transactions. The CAO of a unit is responsible for identifying which individuals will have access to the applications systems, and those responsible for reviewing the transactions for each specific application. TheCAO is responsible for selecting primary and back- up DSAs. The DSA is responsible for the input (into DACSS system) of the access as delineated by the CAO.

DACSS reports were generated from the Campus Data Warehouse (CDW) for all administrative and non-food accounts within On Campus Housing department code 3170. The reports were filtered to identify the 18 users who are assigned to process purchasing transactions and 17 users assigned to review purchasing transactions. The worksheet was provided to management to confirm that access is appropriate.

Overall, the Dining Services CAO has established an effective DACSS structure for the delegation of preparing and reviewing non-food purchasing transactions. However, the following issues were noted:

### Accountability Structure

* One previous Dining Services employee transferred to another UCLA department on April 16, 2021, but continued to have purchasing and reviewer access for department 3170. On April 29, 2021, A&AS notified management of the former employee’s continued access. The department stated that access had not been deleted because the individual was training another employee. On April 30, 2021, management removed the former employee’s reviewer and purchasing access. A&AS verified that the access had been deleted.
* Access for a Dining Services mandatory reviewer is redundant and contradictory. The mandatory reviewer is set up as a reviewer for account 76812\*/fund 70005 and also set up as a reviewer for all funds associated with accounts 768121 and 768126. Management agreed that the reviewer’s assignment for account 76812\*/fund 70005 should be deleted.

Recommendation: The CAO and DSAs should monitor accountability delegations by reviewing quarterly DACSS reports. Reviewing the quarterly DACSS reports will ensure that the structure reflects access that is appropriate and consistent with the department’s organizational structure and job responsibilities. A&AS is available upon request to provide training on the DACSS reports in CDW.

Response: Effective October 2021, the UCLA Dining Services Assistant Director will begin performing these reviews on a quarterly basis. In order to formalize the process, the Business Office Manager, Dining Services Central Office will develop a quarterly, dated checklist that will be submitted to the Senior Director of Food & Beverage by October 31, 2021.

Purchasing (Non-Food)

1. Written Procedures

During interviews with H&HS Dining Services management personnel, A&AS noted management does not have formal written guidelines or procedures for the purchasing activities that are conducted by Dining Service Area Managers and the Dining Services Central Office (DSCO). Documented guidelines and procedures would help establish clear responsibilities for purchasing activities, including approval, and verification and reconciliation. Moreover, University Policy 360, "Internal Control Guidelines for Department Campuses" also requires control activities, including but not limited to, operating procedures, to be identified and documented to enable management to carry out its responsibilities efficiently and effectively. Documented guidelines and procedures reduce the risk that essential institutional and organizational knowledge is lost due to staff turnover.

Recommendation: Written procedures should be created to ensure that personnel who are authorized to purchase goods and services related to daily operations adhere to control procedures and consistently perform their duties in line with management’s intentions.

Response: Management will establish written guideline/procedures [SOP’s] that authorized personnel adhere to and follow when purchasing goods and services related to daily operations. Management will complete the Standard Operations Procedure [SOP] by October 31, 2021.

1. Equipment – Inventorial

Inventorial equipment is defined by UCLA Purchasing & Accounts Payable as any item owned by or in the custody of UCLA that has an acquisition cost of $5,000 or greater (including sales tax, shipping and installation costs), is not disposable or consumable, stands alone, has a useful life of at least one year, and qualifies as tangible personal property (can be appraised for value.) Inventorial equipment is tracked and managed by the online Asset Management System (AMS) application. The AMS can be used to make changes to the inventory listing, generate inventory reports, attach documents and pictures to assets, and perform equipment disposals, transfers, and loans.

A judgmental sample of five inventorial purchasing transactions was selected from the fiscal years 2019-20 and 2020-21 general ledgers and compared to records in AMS to verify that the equipment items were accurately entered.

The review showed that the serial numbers for all five items in the sample were not entered into AMS. In addition, a Dining Services inventorial equipment analysis determined that 13% (30 of 225) equipment items did not have a serial number or other unique identification recorded in the AMS.

Recommendation: Management should ensure that records in the AMS include unique identifiers, such as serial numbers, for all equipment inventory.

Response: Management agrees to review records in the Asset Management System [AMS] on a quarterly basis beginning November 1, 2021 and update records where necessary.

1. Purchases (Non-Food)

Food Service Managers within the dining service areas are authorized to initiate orders, and DSCO staff has the only authority to process the orders in BruinBuy. Dining service areas request purchase orders and DSCO determines the available suppliers and communicates with the vendors for available goods or service items. Each dining service area is considered their own operation; therefore, each has its own financial account information.

For fiscal years 2019-20 and 2020-21, Dining Services’ non-food purchases accounted for 10% of its total expenditures. Ninety-four percent of purchase orders were composed of Release System Wide and Local Agreements - (Class K) and Restricted Agreements (Class B). Low-value orders (LVOs) were $155,737 of Dining Services’ non-payroll expenditures totaling $4.4 million. US Foods and WAXIE were the top two vendors that were utilized for 68% of all purchases.

A&AS judgmentally selected fourteen non-food purchasing transactions that totaled $10,422 from fiscal year 2020-2021 for testing. Documents reviewed included Bruin Buy documentation, general ledgers, invoices, and other supporting documentation. Review of the sample of non-food purchasing transactions indicated that:

* Transactions were appropriate University expenditures.
* Amounts posted to the campus general ledger reconciled to the vendor invoices.
* Transactions were posted to the appropriate FAU.
* Supporting documentation was adequate.
* Transactions were properly authorized by designated individuals.

There were no significant control weaknesses found in this area.

1. Low-Value Order (LVO) Usage

Low- value orders (LVO’s) are intended to streamline the process for smaller, low –risk purchases. Departments are authorized to place low-value, N-class orders for up to $5,000 per vendor per account per day in BruinBuy, UCLA’s web-based purchasing application. An LVO should be issued at the time of order or commitment to a vendor. It protects the University, complies with policy and confirms the agreement with the vendor. For Dining Services, LVOs are mostly used when an item is needed that is not frequently ordered and the total cost is under $5,000. Due to the COVID-19 pandemic, Dining Services purchased more uncommon nonfood items, such as gloves and masks.

Dining Services non-food LVO purchase orders for fiscal years 2019-20 and 2020–21 were obtained from the Online Financial Systems Reports (OFSR) and summarized by vendors with the highest total purchase amount. A sample of the top four vendors was selected for further review and to determine if multiple low value orders were processed in order to circumvent compliance to the LVO authority. Based on the review performed, the purchases were in compliance with policy.

There were no significant control weaknesses noted in this area.

1. Equipment Non-Inventorial

H&HS Dining Services Department management categorizes china, flatware, condiment dispensers and small equipment items utilized in the dining services operation as non-inventorial equipment. These items are more likely to be damaged from day-to-day wear and tear than to be stolen. Due to the frequent usage of these items, they are not tracked and monitored using an equipment inventory system. A&AS confirmed periodic counts of non-inventorial items are completed by restaurant staff.

There were no significant control weaknesses noted in this area.

1. Vendor Agreements

Based on discussions with Dining Services management and staff, Dining Services vendor purchase agreements are tracked on an annual basis and renewed in a timely manner. Agreement modifications are usually completed when blanket agreements expire.

There were no significant control weaknesses noted in this area.

Information Systems

Dining Services uses the software application FoodPro for food production and planning. FoodPro is comprised of modules that mimic the tasks involved in a food service operation The modules include Menu Planning and Costing, Forecasting, Purchasing, Inventory Control, Food Production, and Financial Analysis. Dining Services currently uses the following FoodPro functions: Food Production, Inventory Control, Forecasting, Financial Analysis, Menu Planning, and Pre-Costing. FoodPro is managed by H&HS Information Technology (IT). The FoodPro database is backed up on a schedule. Specific data files are manually backed up prior to any major FoodPro system processes. These additional backups occur generally twice a week.

When a user in H&HS Dining Services requires FoodPro system access, a Dining Services Manager requests user access by completing a system access request form via email. The H&HS FoodPro Coordinators are copied on the email request, and it is forwarded to H&HS IT. Upon notification, FoodPro coordinators assign access. User templates are used for general information access to the FoodPro System. New users are assigned access based on their position and their H&HS job function. Each user is assigned a unique user identification (ID) and password that corresponds to their network login credentials.

When H&HS employees separate from the department, HRPC, the Human Resources Payroll Service Center, provides the names to H&HS IT, and their access is removed from the network and the FoodPro System.

1. FoodPro Access

A&AS obtained the current FoodPro user report and a sample was selected to assess the appropriateness of the user’s access and to verify the user was a current H&HS employee.

As of May 2021, there were 93 FoodPro accounts: 85 regular users, five super users, and three template accounts.

* A sample of 25 regular accounts was reviewed to verify that access was commensurate with a user’s job classification and responsibilities and that users were current H&HS employees. Of the 25 users, one was a UCLA Santa Monica Hospital nursing employee. The user’s account was deleted during the audit.
* Of the five super user accounts, one of the accounts was not associated with an employee and was titled "FoodPro On the Go." The account was initially created to post product sales from FoodPro's online ordering system into FoodPro, but currently the ordering system is not being used. A&AS recommended the account be deactivated to decrease the risk of it being used for unauthorized activity. The FoodPro Coordinator confirmed the account was not needed, and was deleted.
* The three template accounts reviewed were deemed appropriate.

Recommendation: Management should ensure a reliable process is in place to remove access timely when a user separates from H&HS. In addition, FoodPro System user access should be periodically reviewed to ensure only active employees have access and it is appropriate based on an employee’s job role and function. Accounts that are not actively being utilized should be disabled to prevent any unauthorized user activity.

Response: Management agrees to implement a process to ensure that System user access is reviewed bi-annually [July 1st and January 1st].

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