



UCSB Audit and Advisory Services

Internal Audit Report

Delegated Procurement Authorities

October 21, 2015

Performed by:

Antonio Manas-Melendez, Senior Auditor
Laurie Liao, Staff Auditor

Approved by:

Robert Tarsia, Director

Report No. 08-15-0018

This page intentionally left blank.



AUDIT AND ADVISORY SERVICES
SANTA BARBARA, CALIFORNIA 93106-5140
Tel: (805) 893-2829
Fax: (805) 893-5423

October 21, 2015

To: Jacob Godfrey, Associate Director and Materiel Manager
Calli Price, Procurement Manager
Business and Financial Services

Distribution

Re: **Delegated Procurement Authorities**
Audit No. 08-15-0018

Audit and Advisory Services has completed an audit of Delegated Procurement Authorities, which was part of the 2014-15 annual audit services plan. Enclosed is the report detailing the results of our work.

The purpose of this audit was to determine whether University of California Santa Barbara (UCSB) departments with procurement authorities delegated to them under University policies have adequate compliance measures in place to ensure that procurement activities are consistent with University of California and UCSB policies and procedures, federal and state regulations, industry best practices, and other guidance concerning procurement. The scope of work included a review of procurement practices in selected departments with delegated procurement authorities.

The results of our work identified several opportunities for improvement, including periodic review all delegations to ensure they are current and still necessary, working with certain departments to develop delegated procurement processes that comply with University policies, specialized training and guidance, and periodic reporting by departments with delegated procurement authorities.

Detailed observations and management corrective actions are included in the following sections of the report. The management corrective actions provided indicate that each audit observation was given thoughtful consideration, and that positive measures have been taken or are planned to implement the recommendations. We appreciate the cooperation and assistance of Business and Financial Services, Art & Lectures, Communication Services, Institutional Advancement, and University Library during the review. If you have any questions, please feel free to contact me.

Respectfully submitted,

A handwritten signature in black ink that reads "Robert Tarsia". The signature is written in a cursive style with a long horizontal line extending from the end.

Robert Tarsia
Director
Audit and Advisory Services

Jacob Godfrey, Calli Price
October 21, 2015
Page 2

Enclosure

cc: Chancellor Henry Yang
Assistant Chancellor Finance and Resource Management Todd Lee
Vice Chancellor Administrative Services Marc Fisher
UCSB Audit Committee
Senior Vice President and Chief Compliance and Audit Officer Sheryl Vacca

Distribution

Art & Lectures

Celesta Billeci, Miller McCune Executive Director
Emily Cesca, Finance & Operations Manager

Business and Financial Services

Jim Corkill, Controller and Director, Business & Financial Services
Leslie Griffin, Associate Director, Business & Financial Services

Enterprise Technology Services

Kirk Grier, Director Infrastructure Services
Paul Valenzuela, Associate Director Telecommunications

Institutional Advancement

Eric Sonquist, Director of Finance & Administration

University Library

Denise Stephens, University Librarian
Alan Grosenheider, Associate University Librarian
Janet Martorana, Associate University Librarian Collections Services
Vessela Jivkova, Business Manager

PURPOSE

The primary purpose of this audit was to determine whether University of California Santa Barbara (UCSB) departments with procurement authorities delegated to them under University policies have adequate compliance measures to ensure that procurement activities are consistent with University of California (UC) and UCSB policies and procedures, federal and state regulations, industry best practices, and other guidance concerning procurement. This audit was part of our fiscal year 2014-15 audit services plan.

SCOPE, OBJECTIVES, AND METHODOLOGY

Our scope of work included a compliance review of procurement activities in selected departments with delegated procurement authorities, chosen based on an audit risk analysis. Departments selected for review included Art & Lectures, the Telecommunications unit of Enterprise Technology Services (Communication Services), Institutional Advancement, and the University Library. Our detailed audit testing included purchases initiated from July 2014 through May 2015.

Our objectives were to determine the adequacy of processes and controls in the following areas:

- Bidding and Proposal.
- Vendor Qualification.
- Purchase Order and Contract Formation.

To accomplish our objectives, our detailed work included interviews, direct observations, review of documentation, testing, and other steps, including:

- Review of UC and UCSB policies, federal and state regulations, best practices, and other guidance concerning procurement, including:
 - *University of California Accounting Manual – Section D-224-17, Delegation of Authority – Signature Authority.*
 - *Business and Finance Bulletin BUS-43, Materiel Management.*
 - *Business and Finance Bulletin BUS-77, Independent Contractor Guidelines.*
 - *Business and Finance Bulletin BUS-34, Securing the Services of Independent Consultants.*
 - *Business and Finance Bulletin BUS-63, Insurance Requirements and Certificates of Insurance.*
 - *University of California Accounting Manual – Section D-371-16, Disbursements Approvals.*
 - *University of California Terms and Conditions of Purchase, a compendium of standard terms and conditions for purchase orders and contracts.*
 - *University Guidelines on Contracting for Services.*
 - *University of California Code of Conduct for Trademark Licensee.*
 - *Federal Acquisition Regulations (FAR), especially sections covering contracting methods.*
 - *California Public Contract Code - Chapter 2.1 University of California Competitive Bidding.*

- *Uniform Guidance, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, published by Office of Management and Budget (OMB).
- Interviews with Procurement Services personnel and personnel of selected departments to obtain an understanding of delegated procurement activities on campus and to identify areas of concern.
- An audit risk analysis of selected delegated procurement and contracting authorities based on the results of interviews, value of procurement and contracting activity, prior recent audits, delegation authorization documents, type of organization, degree of Procurement Services oversight, training history, and other observations. Although our analysis included both delegated procurement and contracting authorities (both procurement and non-procurement contracting), we selected only procurement-related activities for detailed review. This selection was consistent with the results of our audit risk analysis and the original, planned scope of this audit.
- Detailed compliance testing of a selected sample of disbursements for each selected department in the following areas:
 - Bidding for procurements over \$100,000 per supplier per year.
 - Competitive quotations for procurements under \$100,000.
 - Vendor qualification, including conflict of interest and insurance requirements.
 - Purchase orders and contract formation, including proper format, supporting documentation, and terms regarding restricted items.

This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

BACKGROUND¹

Procurement Services is part of Business and Financial Services, a department in UCSB's Finance and Resource Management Division. The unit is responsible for achieving University procurement goals of obtaining supplies, equipment, and services at the best prices available, consistent with the quality of goods required, in a timely and efficient manner. Procurement Services provides guidance to campus departments on procurement policies and practices, and prepares and authorizes purchase orders (POs) and contracts.

Department chairs, directors, principal investigators, and business officers may not sign agreements or contracts on behalf of the University or the UC Regents without proper authority. As used in this report, delegated procurement authority refers to the capacity of campus personnel outside of Procurement Services to purchase goods and services on behalf of their departments.

¹ Information in the Background section was adapted from publications located on the University of California Office of The President (UCOP) website, Business and Financial Services website, and prior audits.

UCSB Audit and Advisory Services
Delegated Procurement Authorities

Available methods for campus purchasing *without* delegated procurement authority include:

- *Gateway* - UCSB Procurement Gateway (Gateway) is an online procure-to-pay or e-procurement system that allows campus buyers to order from a variety of suppliers, both contracted and “non-catalog” suppliers. Campus buyers also have the ability to set up blanket orders in Gateway. Procurement activity in Gateway is supervised by Procurement Services and specific delegated procurement authority is not required to use the system.
- *FlexCard* - UCSB’s FlexCard is a procurement credit card issued to UCSB employees who have the authority to buy goods and services on behalf of their departments. The FlexCard is issued to an individual, not to a department, and the card and account number cannot be used by anyone other than the cardholder. The University, not the cardholder, has financial responsibility for purchases using FlexCard. This credit card program is used primarily for transactions with amounts up to \$2,500; some cardholders are authorized up to \$5,000.

Table 1		Selected UCSB Departments with Delegated Procurement and Contracting Authorities - Fiscal Year 2014-15
Department	Description	
Alumni Affairs	Revenue agreements.	
Art & Lectures	Speaker engagement and performing artist agreements.	
Associated Students ²	Service agreements.	
Conference Services	Contracts for conference services.	
Communication Services	Telecommunication agreements.	
Institutional Advancement	Contracts with independent contractors, hotels, conference centers and catering.	
Office of Financial Aid and Scholarship	Student Loan/Financial Aid agreements.	
Orfalea Childcare Center	Early childhood care & educational services agreements.	
Recreation	Facility use agreements.	
University Library	Library material. ¹	

Source: Auditor analysis. Administrative Services departments have not been included in this table. This table only includes departments in the scope of the audit risk analysis performed as part of this audit.

1: Expired delegation.

2: Authority was established by the Legal Code of the Associated Students.

Delegated Purchase Authorities Outlined in University of California Accounting Manual

The authority to make purchase commitments resides with The Regents, who have delegated much of this authority to the President. This authority has been re-delegated by the President to the chancellors and the laboratory directors; in a June 1998 memorandum to the chancellors and laboratory directors, this authority was further re-delegated to materiel managers and University librarians. The UCSB campus maintains a table of current delegations that generally flow from the Chancellor, and which includes a variety of delegated authorities, including procurement and both procurement and non-procurement contracting activities. Individuals who have been delegated signature authority are subject to the guidelines set forth in *University of California Accounting Manual* Section D-224-17, *Delegation of Authority - Signature Authorization*.

Delegated Procurement Authority Under Policy BUS-43

In addition to the delegated authorities described above, Policy BUS-43 provides for delegated procurement authority using Low-Value Purchasing Authorization (LVPA). According to the Associate Director and Materiel Manager, UCSB is not currently utilizing this type of delegated authority.

According to Policy BUS-43, the amount that designated campus personnel are authorized to spend cannot exceed \$5,000 per transaction (and an anticipated \$100,000 per transaction annually per supplier per year). Only campus buyers in Procurement Services are generally delegated the authority to issue purchase orders valued at \$5,000 and above. Purchases up to \$50,000 using contracts previously established through the strategic sourcing process can be made without Procurement Services involvement. Blankets orders and items included in the UCSB restricted commodity list (such as alcoholic beverages or fire extinguishers) require review by Procurement Services.

Policy BUS-43 requires departments qualifying for delegated procurement to:

- Have a historical level of purchase activity sufficient to ensure, in the judgment of the Materiel Manager, that a higher level of authority would result in more cost effective procurement.
- Comply with requirements of applicable regulations and UC policies and procedures, such as competitive bidding requirements, the use of purchase contract forms approved by Procurement Services, and utilizing standard terms and conditions of purchase.
- Have formal, written procedures outlining the complete process of implementing delegated authority, as approved by the Materiel Manager.
- Have a functional reporting responsibility to the Materiel Manager to help ensure that all purchasing activity is conducted in accordance with University policies and procedures, and that departmental personnel involved in procurement have had the appropriate training.
- Not purchase items determined inappropriate or included in the UCSB Restricted Commodity List established by the Materiel Manager and University policies.

Bid Process

The competitive bid process allows the UC system and the UCSB campus to secure the best quality products and services at the best possible price. According to Policy BUS-43 and the California Public Contract Code, purchases over \$100,000 must be competitively bid. The use of strategically sourced contracts² generally eliminates the need to competitively bid products/services over the \$100,000 threshold, because there has already been a formal competitive process.

In circumstances in which competition cannot be sought, because equipment or services are deemed proprietary or unique to a particular vendor, a Source Selection and Price Reasonableness Form must be sent to Procurement Services for approval.

Regulations and Policies

Table 2 outlines the principal regulations, policies, and guidelines we considered most relevant to the scope of this audit. The Appendix to this report includes definitions of various terms used in the report.

Insurance Requirements

Under Business and Finance Bulletin BUS-63, *Insurance Requirements and Certificates of Insurance* (Policy BUS-63), vendors must provide the University with a certificate of insurance prior to the issuance of a purchase order or contract, for procurement involving onsite services and deliveries. Some examples include:

- Installation or service on any campus site, including landscaping, pest control, waste removal, security service.
- On-site training, maintenance, calibration, or repair.
- Charter services for bus, boat, and aircraft.
- Delivery.

SUMMARY RESULTS OF REVIEW

The results of our work identified several opportunities for improvement, including periodic review all delegations to ensure they are current and still necessary, working with certain departments to develop delegated procurement processes that comply with University policies, specialized training and guidance, and periodic reporting by departments with delegated procurement authority.

² Agreements with certain vendors established by the UC Office of the President or by a campus.

UCSB Audit and Advisory Services
Delegated Procurement Authorities

Table 2		Regulations, Policies, and Guidelines Applicable to Delegated Procurement and Contracting Authorities	
Name	Description		
University of California Accounting Manual – D-371-16, <i>Disbursements Approvals</i>	This section of the University of California Accounting Manual summarizes the level of approval required for various types of non-payroll payments made by the University.		
University of California Accounting Manual – D-224-17, <i>Delegation of Authority – Signature Authority</i>	This section of the University of California Accounting Manual sets forth guidelines to be followed in connection with assigning signature authority to a department or program operating as a functional unit of a campus.		
Business and Finance Bulletin BUS-43, <i>Material Management</i>	Governs University procurement procedures and establishes bid thresholds and selection criteria. The policy incorporates <i>the California Public Contract Code</i> - Chapter 2.1 requirement that any single University of California purchase contract or purchase order involving an estimated expenditure of more than \$100,000 annually “be awarded to the lowest bidder meeting specifications.” In addition, outlines bid selection and contract formation requirements, including the inclusion of standard University terms and conditions of purchase.		
Business and Finance Bulletin BUS-63, <i>Insurance Requirements and Certificates of Insurance</i>	Establishes the required insurance provisions to be included in contracts between contractors and the University. These requirements must be included in the contract as a contractual obligation that must be complied with before commencing work, providing goods, or using University facilities. All agreements between contractors and the University must require contractors, vendors, and consultants to issue certificates of insurance to the University providing evidence that the type of insurance required by the contract is fulfilled.		
Business and Finance Bulletin BUS-77, <i>Independent Contractor Guidelines</i>	Outlines the University's policies and procedures related to the retention of independent contractors for personal or professional services, and the classification of current University employees as independent contractors in connection with other services rendered by them for the University.		
Business and Finance Bulletin BUS-34, <i>Securing the Services of Independent Consultants</i>	Sets forth the policy statements, mandatory requirements, and procedural guidelines for the University to enter into an engagement with an independent consultant for services not available from University employees.		
<i>Federal Acquisition Regulations (FAR)</i>	Regulations used by federal agencies in their acquisition of supplies and services. FAR establishes uniform policies and procedures for acquisition by federal agencies.		
<i>Uniform Guidance, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (OMB)</i>	Grants and Cooperative Agreements are governed by the Office of Management & Budget (OMB), Uniform Guidance. In December of 2014, the Uniform Guidance became effective as a combination of 8 different OMB circulars.		
<i>University Guidelines on Contracting for Services</i>	These guidelines have been in effect since 1986 and were originally applicable only to service areas and relevant maintenance and housekeeping areas. The guidelines were reissued in 2002 to acknowledge the circumstances under which the University may need to contract for services and which may result in the displacement of University staff. The guidelines outline a process for notification and review by the UC Office of the President for contracts exceeding \$100,000 per year.		

Source: Auditor analysis.

DETAILED OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS

A. Compliance with University Policies and Best Practices

Our review identified areas for potential improvements in delegated procurement practices to fully comply with University policies and best practices. Our results are summarized in Table 3.

1. Delegations of Authority for Procurement Not Regularly Reviewed

We found outdated or unused delegations of procurement authority for two departments:

- Institutional Advancement has not used its delegated procurement authority for the last six years. In lieu of exercising its own delegated authority, the department has established a memorandum of understanding with Arts & Lectures to use certain vendor agreements and established rates. The Director of Finance & Administration, Institutional Advancement agreed to review with Procurement Services if Institutional Advancement's delegated procurement authority is still needed.
- The former Associate University Librarian's delegated procurement authority was not re-delegated after his separation.³ The University Library's authority to make purchases is therefore not properly documented at the campus level; the Library is also not currently consulting with Procurement Services before entering into supplier contracts. According with the Materiel Manager, procurement delegations to the University Librarian are outside the purview of the Materiel Manager.

We recommend that Procurement Services:

- Work with Institutional Advancement to determine if the department's delegated authority is still needed, and rescind the delegation if there is no continuing need.
- Periodically review all delegations to ensure they are current and still necessary.

We recommend that the University Library:

- Consult with Procurement Services, and the Chancellor's Office, if necessary, to determine the steps needed to resolve the Library's lack of formal purchasing authority and to put a new delegation in place, or make other changes to ensure the Library's procurement activities are consistent with all policy requirements.

³ The delegation letter is from 1998.

Management Corrective Actions

Procurement Services will:

- Work with Institutional Advancement to determine if the department's delegated authority is still needed, and rescind the delegation if there is no continuing need.
- Periodically review all delegations to ensure they are current and still necessary.

Audit and Advisory Services will follow up on the status of this issue by March 31, 2016.

The University Library will:

- Consult with Procurement Services, and the Chancellor's Office if necessary, to determine the steps needed to resolve the Library's lack of formal purchasing authority and to put a new delegation in place, or make other changes to ensure the Library's procurement activities are consistent with all policy requirements.

Audit and Advisory Services will follow up on the status of this issue by March 31, 2016.

2. Formalization of Procurement Agreements and Documentation

Our evaluation of Art & Lectures and Communication Services procurement practices found that they were generally in compliance with their delegated procurement authorization letters and University policies, including Policy BUS-43. We determined that:

- Appropriate templates were used, such as *the standard University of California Terms and Conditions of Purchase* and standard purchase orders forms approved by Procurement Services.
- Formal approvals of purchases were documented in Gateway.
- Procurement transactions were processed through Gateway, and Procurement Services operated as the Office of Record.

We determined that the University Library was not complying in all respects with its delegated procurement authorization letter and University policies, including Policy BUS-43, in the formalization and documentation of procurement agreements with a major book vendor. The University Library did not:

- Use contracts and purchase order formats approved by Procurement Services, including *the standard University of California Terms and Conditions of Purchase*.
- Document approvals from personnel with delegated procurement authority.

In addition, it was unclear if Procurement Services was acting as the department's Office of Record. The Library purchased collections through a major vendor, but Procurement Services was not consulted or otherwise made aware of the collection purchases.

We recommend that the University Library consult with Procurement Services to:

- Develop delegated procurement processes that fully comply with University policies, including competitive bidding, documented sole source justifications, proper formats for contracts and purchase orders, inclusion of all required standard terms and conditions, and proper approvals.
- Clarify whether the University Library or Procurement Services serves as the department's Office of Record.

Management Corrective Actions

The University Library will:

- Consult with Procurement Services to develop delegated procurement processes that fully comply with University policies including competitive bidding, documented justifications for exceptions, proper formats for contracts and purchase orders, inclusion of all required standard terms and conditions, and proper approvals.
- Establish processes that make clear which office serves as the department's Office of Record.

Audit and Advisory Services will follow up on the status of this issue by March 31, 2016.

3. Bidding Process and Competitive Quotes

Based on interviews, review of documentation, and the result of our detailed testing, we found there is a need for better compliance with bidding requirements for purchases over \$100,000 and for obtaining, documenting, and evaluating formal competitive quotes for purchases under \$100,000. We found the following:

- Arts & Lectures did not make individual purchases exceeding \$100,000. However, we found two separate purchases for \$90,000 from the same vendor during fiscal year 2014-15⁴. It is our understanding that this was a timing issue, and that the department had assumed the total spend with this vendor for fiscal year 2014-15 would be under \$100,000, with the remainder applied to fiscal year 2015-16. However, the purchases were both initiated in fiscal year 2014-15. Arts & Lectures generally does not obtain competitive quotations as part of its procurement activities.
- Communication Services did not solicit competitive bids for maintenance services estimated at \$103,887, and entered agreements with a major electrical services vendor for this amount. However, we did note that actual purchases with this vendor for fiscal year 2014-15 were below \$100,000. In addition, Communication Services generally only maintains bid or quotation documentation for the selected vendor, which is not adequate documentation for a competitive process. Communication Services is currently working with Procurement Services to consolidate maintenance services into one contract for \$250,000.

⁴ Purchase managed by Procurement Services.

- The University Library did not solicit competitive bids for book purchases totaling \$601,127 in one fiscal year; this total was spent with one major book vendor. Policy BUS-43 includes a provision permitting exceptions to the bid requirement when only one supplier is capable of meeting University requirements within the time available. However, the required Sole Source Disclosure Form and Source Selection & Price Reasonableness Form was not sent to Procurement Services to document the justification for an exception to requirements for a competitive process. The University Library does not generally maintain competitive quotations as part of its procurement documentation.

Procurement Services should work with the University Library, at a minimum, to clarify policy requirements related to competitive processes and to bring procurement practices into compliance with Policy BUS-43. Training to clarify requirements in this area and promote competitive processes as a best practice may also be warranted.

Management Corrective Actions

Procurement Services will work with the University Library, at a minimum, to clarify policy requirements related to competitive processes and to bring procurement practices into compliance with Policy BUS-43. We will also plan training to clarify requirements in this area and promote competitive processes as a best practice.

Audit and Advisory Services will follow up on the status of this issue by March 31, 2016.

B. Oversight and Guidance

1. Oversight

Procurement Services is the designated Office of Record for most of the departments we reviewed, which means it is responsible for retention of procurement agreements and other records in accordance with UC record retention policies and schedules. However, as we have noted, Procurement Services receives limited information from some departments with delegated procurement authority. For example, the University Library does not consult with Procurement Services regarding agreements within their delegation, or provide documentation or detailed information of purchase transactions. The University Library only sends high-level summary information covering certain procurements (special collections) to Business & Financial Services for tax purposes.

To help ensure that all purchasing activity is conducted in accordance with University policies, and that departmental personnel involved in procurement have had the appropriate training, there should be periodic reporting of procurement information to the Materiel Manager, including purchasing volumes, information on sole source purchases, etc. This would help that delegated procurement is properly monitored for compliance with applicable policies and best practices.

UCSB Audit and Advisory Services
Delegated Procurement Authorities

Table 3		Compliance with University Policies and Best Practices			
Category	Institutional Advancement	Arts & Lectures	Communication Services	University Library	
Delegated Procurement Authority Letter	✓	✓	✓	Expired	
Formal Quotations (<\$100,000)	N/A	N/A	✓	✗	
Bid Process or Sole Source Form (>\$100,000)	N/A	N/A	✓ ¹	✗	
UC Terms & Conditions Form	N/A	✓	✓	✗	
Insurance Certification	N/A	✓ ²	✓ ²	N/A ³	
Conflict of Interest Evaluation	N/A	✓ ⁴	✓ ⁴	✗ ⁴	
Vendor Qualification Documentation	N/A	✓ ⁴	✓ ⁴	✗ ⁴	
Standard PO or Contract Format	N/A	✓	✓	✗	
Documented Formal Approvals	N/A	✓	✓	✗	

Source: Auditor analysis.

✓: Full compliance.

✗: No compliance or limited compliance.

N/A: There has been no activity.

1: Actual expenses per vendor for this fiscal year were below \$100,000.

2: Purchase documentation contains the terms & conditions form, which requests vendors to comply with insurance requirements.

3: Collections are mailed, so there is no on-campus delivery.

4: All vendors in our test were also in Gateway, which provides the opportunity for validation by Procurement Services. However, this process was not followed for University Library.

2. Procedures and Guidance

There is a need to address the risks associated with delegated procurement authorities by developing, vetting, and issuing more detailed procedural and other guidance. Our review found that departments with delegated procurement authority did not have a full understanding of UC policy requirements, and that roles and responsibilities have not been completely defined in areas such as negotiation and formalization of contracts. For example:

- The University Library and Communication Services believed that they could have multiple purchase orders with the same vendor in the same fiscal year, with the only restriction that each purchase must be under \$100,000. Following this practice could be seen as splitting orders to avoid the \$100,000 threshold requiring a competitive process, which is not permitted.
- The University Library was not aware of the requirement to use approved forms and templates.
- Procurement Services has published procedures and guidelines, and offers formal training. However, this guidance is focused on regular procurement practices, and there is no requirement to attend training when receiving delegated authority.

We recommend that Procurement Services:

- Require that departments with delegated procurement authorities through University policies provide periodic reporting (e.g. quarterly, yearly) of procurement information to the Materiel Manager, including purchasing volumes, information on sole source purchases, etc. This reporting could be as simple as a one-page data sheet with less than ten questions.
- Require periodic training covering procurement processes and requirements as a condition for maintaining delegated procurement authority.
- Formalize delegated procurement procedures to better delineate department and Procurement Services roles and responsibilities in the delegated procurement process, including how Gateway or shadow systems should be used.

Management Corrective Actions

Procurement Services will:

- Require that departments with delegated procurement authorities through University policies provide periodic reporting (e.g. quarterly, yearly) of procurement information to the Materiel Manager, including purchasing volumes, information on sole source purchases, etc. This reporting could be as simple as a one-page data sheet with less than ten questions.
- Coordinate with the Assistant Chancellor Finance and Resource Management and Vice Chancellor of Administrative Services to establish a formal review process and procedure for establishing and rescinding delegations.

- Require periodic training covering procurement processes and requirements as a condition for maintaining delegated procurement authority.
- Formalize delegated procurement procedures to better delineate department and Procurement Services roles and responsibilities in the delegated procurement process, including how Gateway or shadow systems should be used.

Audit and Advisory Services will follow up on the status of this issue by March 31, 2016.

C. Monitoring Certificates of Insurance

The standard *University of California Terms and Conditions of Purchase* includes insurance and conflict of interest clauses to protect University interests. Although we understand that Procurement Services retains the certificate of insurance documentation, we did not determine that departments, Procurement Services, or other entities are monitoring certificate of insurance expiration dates, specifically in contracts that are automatically renewed.

To ensure that current insurance coverage is maintained by vendors and contractors, we recommend that Procurement Services evaluate the possibility of implementing a process for monitoring certificate of insurance expiration dates.

Management Corrective Actions

Procurement Services will evaluate the feasibility and cost-benefit of implementing a process for monitoring certificate of insurance expiration dates.

Audit and Advisory Services will follow up on the status of this issue by June 30, 2016.

UCSB Audit and Advisory Services
Delegated Procurement Authorities – Appendix

Appendix	Definitions
Term	Description
Blanket Order	A purchase order the customer makes with its supplier which contains multiple delivery dates over a period of time, often negotiated to take advantage of predetermined pricing.
Competitive Quotations	Responsive price quotation from qualified suppliers submitted in accordance with a solicitation from the Materiel Manager. Best practices recommend a minimum of three competitive quotations.
Delegation of Purchasing Authority	The Materiel Manager may grant additional purchasing authority to individuals outside Procurement Services if they meet conditions listed in Policy BUS-43.
Delegated Procurement Authorization Letter	The delegation of purchasing authority is granted by this letter.
Low-Value Purchase Authorization Limit	Each campus determines its low-value purchase authorization limit amount, which may be executed by campus personnel designated by each department.
Materiel Manager	Local official responsible for materiel management functions, which generally include purchasing, receiving, storehouse operations, and equipment management.
Office of Record	The department that retains all copies of documentation related to procurement is the Office of Record for the documentation. The Materiel Manager usually establishes Procurement Services as the Office of Record for delegated procurement, and states this in the delegation letter.
Sole Source	University policy and California law generally require a price evaluation among competing vendors for purchases of \$100,000 and above, with the vendor sourcing based on either lowest responsible bidder or the lowest cost per quality point evaluation method. A sole source justification explaining why other vendors offering the same goods/services are unacceptable is required for purchases \$100,000 and over that are not competitively evaluated.
Strategic Sourcing	The University's Strategic Sourcing Program provides campuses the opportunity to use specific vendors with negotiated pricing through planned quantity purchasing, with the goal of providing the maximum possible economic advantage.
UCSB Restricted Commodity List	Items restricted from the low-value purchase method that requires a purchase order and specialized approval, regardless of value, include controlled substances, radioactive/hazardous materials, biohazardous agents, certain compressed/toxic gases, and firearms/ammunition.

Sources: UCSB Procurement Services website, UC Policy BUS-43, and Wikipedia, validated with other sources.