

**UNIVERSITY OF CALIFORNIA, DAVIS
INTERNAL AUDIT SERVICES**

**University of California, Davis Health System
Bookstore Purchases
Internal Audit Services Project #11-14**

November 2010

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MANAGEMENT SUMMARY

BACKGROUND

UCDHS departmental purchases from the UCD Bookstores (Bookstores) were audited as part of planned reviews for FY11. UCDHS departments purchased approximately \$400,000 from the Bookstores during FY11.

PURPOSE AND SCOPE

The purpose of this audit was to provide reasonable assurance that processes are in place within UCDHS departments to ensure purchases are properly authorized and are for appropriate University purposes.

To conduct our review we interviewed Bookstore management to determine the methods and controls over departmental purchases. We then used a risk based approach that included total purchases and types of items purchased in order to select three departments for further evaluation: Emergency Medicine, Dermatology, and Pathology. We selected sample transactions from each department to verify if purchases were authorized, business justifications were provided, and general ledger reviews were being performed.

CONCLUSION

Based on this review, we have concluded that the departments are generally compliant with university purchasing policies. We noted that the Emergency Medicine and Pathology departments did not consistently provide business justification for bookstore purchases. In addition, General Ledger reviews for Emergency Medicine and Pathology School of Medicine (SOM) departments are not being performed on a consistent basis. The departments are actively addressing these findings. Details on these and other observations are described in the body of this report.

OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT CORRECTIVE ACTIONS

A. Business Purpose Justification

Observation	Management Corrective Action
<p>The Emergency Medicine and Pathology SOM departments did not consistently provide business justification for bookstore purchases. UCD PPM 350-10, <i>Supplies and Equipment Procurement Authority</i>, states that purchases for personal purposes are not allowed. Based on our sample review of purchases from the Bookstore, we noted the following:</p> <p>Emergency Medicine: 9 out of 10 purchases did not have clear business justification documentation on file.</p> <p>Pathology SOM: 6 out of 10 purchases did not have clear business justification documentation on file.</p> <p>Individuals may be more likely to attempt to purchase items for personal purposes if they are not required to provide a business justification.</p>	<p>The departments will require requesters to provide a written business justification for items that can be misconstrued as being for personal use and file a copy of this documentation along with the bookstore purchase orders. This will be completed by March 30, 2011.</p>

B. General Ledger Reviews

Observation	Management Corrective Action
<p>Emergency Medicine department has not appropriately completed General Ledger (GL) reviews for the following:</p> <p><u>School of Medicine</u></p> <ul style="list-style-type: none"> • “EM Med Comp Plan” March 2010 and June – September 2010 • “EM Research 1” September 2009 and June – September 2010 • “VPRP” September 2009 <p><u>Hospital</u></p> <ul style="list-style-type: none"> • “Emergency Services” May – June 2009 and June – September 2010 	<ol style="list-style-type: none"> 1. As of November 30, 2010, the department has completed all past due GL reviews. 2. Future period GL reviews will be performed in a manner that certifies the validity of charges and credits on a monthly basis.

Observation	Management Corrective Action
<p>The Pathology department has 183 SOM accounts. Of these, 72 are not included in a General Ledger Review Plan (GL Review Plan). In addition, Pathology has not reviewed all the SOM transactions that were selected to be reviewed for the following periods: April, July, August, and October 2008, January 2009, and July 2009 – September 2010. All of Pathology’s Hospital accounts are included in a GL Review Plan, however not all the selected Hospital transactions have been reviewed since May 2009. For some periods (such as March and July 2010) none of the Hospital transactions have been reviewed.</p> <p>PPM 330-11, <i>Departmental Financial Administrative Controls and Separation of Duties</i> states departments shall review their general ledger and payroll ledgers monthly to certify the validity of charges and credits to their accounts.</p> <p>The manual process used to make Bookstore purchases does not provide assurance that purchases are independently authorized and received. Nor does the Bookstore have the capability to validate authorizing signatures. As a result, unauthorized transactions from the Bookstores may not be detected if the GL reviews are not performed.</p>	<ol style="list-style-type: none"> 1. As of November 20, 2010, the Pathology department has reviewed all the uncovered accounts and has added the applicable accounts to a GL Review plan. 2. As of November 30, 2010, all the unreviewed transactions for the hospital accounts have been reviewed and the validity of charges and credits to these accounts has been certified. 3. Future period GL reviews will be performed monthly as required by PPM 330-11.

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