

**UNIVERSITY OF CALIFORNIA, SAN FRANCISCO
AUDIT SERVICES**

**Campus Procurement and Contracting
BearBuy System Review
Project #13-027**

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**Campus Procurement and Contracting
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MANAGEMENT SUMMARY

As a planned audit for fiscal year 2012-2013, Audit Services conducted a review of the BearBuy Procurement System. The objective of the review was to assure that designed controls in BearBuy are functioning properly and are adequate in managing risks and supporting user departments. Specifically, the objectives for this review were to determine:

- If departments are ‘splitting’ requisitions to bypass the defined approval thresholds;
- Whether requisitions with One-Time Ship-To addresses are monitored for proper usage;
- Whether the match exception process properly handles discrepancies between purchase orders and invoice prices for goods and services;
- If purchases requiring special approvals, such as controlled substances, are appropriately identified and approvals are obtained prior to requisition completion;
- If proper separation of duties exists between existing BearBuy requester and approver roles.

We examined purchase requisitions, vouchers and purchase orders transactional data and the BearBuy users list between April 2012 and March 2013.

We found that the BearBuy system controls tested were functioning as designed and generally adequate in managing perceived risks. Overall, purchases requiring special handling were directed to the proper approval channels, match exceptions were handled as designed and requisitions were processed with proper separation of duties.

While we did not identify any significant control deficiencies during our review, we identified opportunities for monitoring enhancement for split transactions and One-Time Ship-To addresses.

For additional details on the observations identified, please refer to the detailed report below.

I. BACKGROUND

As a planned audit for fiscal year 2012-2013, Audit Services conducted a review of the BearBuy Procurement System, which is managed and maintained by Campus Procurement and Contracting (CPC). In November 2011, UCSF rolled out the BearBuy procurement system jointly with UC Berkeley. BearBuy is designed to serve as the single point of entry for the faculty, staff and students to shop and manage payments for most campus-related purchases. The mission of the BearBuy system is to provide campus employees with an intuitive, easy to use interface to make the purchasing process easier and faster. Between April 2012 and March 2013, BearBuy processed approximately \$175 million in purchases.

The BearBuy system has defined roles in each department—such as Requester, Requisition Approver and Voucher Approver—and has built-in workflow processes to route transactions to different approvers depending on the items being purchased.

Policies governing purchase transactions and related approval process include:

- UC Business and Finance Bulletin BUS-43: *Material Management*
- UC Business and Finance Bulletin BUS-49, Part 3: *Purchase Transactions*
- UCSF Campus Administrative Policy 200-18: *Purchasing*
- UC Accounting Manual D-371-16: *Disbursements – Approval Required*
- UC Accounting Manual D-371-36: *Disbursements – Invoice Processing in Response to Purchase Authorizations*

II. AUDIT PURPOSE AND SCOPE

The objectives of the review were to assure that designed controls in BearBuy are functioning properly and are adequate in managing risks and supporting user departments. Specifically, the objectives for this review were to determine:

- If departments are ‘splitting’ requisitions to bypass the defined approval thresholds;
- Whether requisitions with One-Time Ship-To addresses are monitored for proper usage (One-Time Ship-To is a functionality built within the BearBuy system to allow requesters to send purchased goods to any address not pre-populated within the system);
- Whether the match exception process properly handles discrepancies between purchase orders and invoice prices for goods and services;
- If purchases requiring special workflows, such as controlled substances, are appropriately identified and approvals are obtained prior to purchase;
- If proper separation of duties exist between the BearBuy requester and approver roles.

Our examination included evaluation of the BearBuy users list and transactional and supporting data on purchase requisitions, vouchers and purchase orders from the BearBuy system.

The scope of the review was limited to the purchase requisitions, vouchers and purchase orders processed through BearBuy between April 2012 and March 2013. As such, work completed is not intended, nor can it be relied upon to identify all instances of potential irregularities, errors and control weaknesses that may occur in areas not covered in this review. Fieldwork was conducted between April and June 2013.

III. CONCLUSION

We found that designed controls selected for review from the BearBuy system were functioning properly and adequately in managing risks and supporting user departments. Purchases requiring special approvals were directed to the proper channels and were regularly monitored for exceptions. Match exceptions were handled as designed within the defined threshold, and requisitions were processed with proper separation of duties.

While we did not identify any significant control deficiencies during our review, we noted that a monitoring program needs to be established to detect and address instances of split transactions and deter circumvention of approval controls. In addition, we noted improvements could be made in the monitoring and follow-up process for One-Time Ship-To addresses.

IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS

A. Split transactions monitoring

There is no process in place to centrally monitor and follow-up on potential split transactions within BearBuy.

UC Business and Finance Bulletin BUS-43 states that requisitions may not be artificially divided to falsely create multiple small purchase orders under the authorization limit. Based on our analysis, a program is needed to effectively monitor for split purchase requisitions as well as to ensure compliance with the systemwide policy.

The BearBuy system does not require departmental approval for requisitions under \$500. We performed an analysis of purchase requisitions under \$500 between April 2012 and March 2013. Our analysis identified 2,494 purchase requisitions under \$500 made by the same requester for the same vendor on the same day for the same procurement department code which added up to more than the \$500 limit for approval.

Subsequently, we reviewed purchases made by five employees who had the largest number of purchase requisitions which appeared to have been split to eliminate the required approval. For two of the employees, we confirmed intentional splitting of purchase requisitions had occurred.

1. A requester initiated 104 requisitions for 39 instances of split transactions in order to expedite the purchase process as the requisition approver had left the department.
2. A requester initiated 18 requisitions with a single item each, believing requisitions should have no more than one item. This resulted in 6 instances of split transactions.

In both cases, department management confirmed the purchases were made for business purposes and the splitting was a result of poor training.

Without proper monitoring, transactions may be split to bypass approval, resulting in purchases that may not conform to University policies.

Management Corrective Action

CPC will request that Audit Services provide a monthly report of suspected split purchases and by September 30, 2013, will establish a program of monthly following up with departments who appear to be splitting purchases to eliminate necessary approvals. CPC also will work with Audit Services by December 31, 2013, to automate the generation of the monthly report to be used in monitoring purchases for potential split orders.

B. One-Time Ship-To Addresses

Monitoring and follow-up processes with the use of One-Time Ship-To addresses need to be improved and performed regularly.

The One-Time Ship-To address code was created in the BearBuy system to allow purchases to be shipped to addresses that are not routinely part of UCSF. The training material for BearBuy states that addresses that will be used more than once should be added to the BearBuy address list via a request to the Application Support Help Desk.

The established procedure for One-Time Ship-To addresses in BearBuy requires CPC to monitor and follow up with the departments via e-mail on the validity of the One-Time Ship-To addresses monthly. We noted that the follow-up process has not been performed since December 2012. Our analysis of One-Time Ship-To addresses between January and March 2013 identified one instance where the One-Time Ship-To address matched an employee address on file in the Payroll system and 11 other non-University addresses that needed to be followed up.

Further, some BearBuy users entered valid University addresses as One-Time Ship-To address when they should have been added to the system. By not adding them to the system, it created additional workload as all these one-time addresses had to be routed for approval. Of the 2,072 requisitions with One-Time Ship-To addresses reviewed, 1,713 were found to be sent to street addresses that already exist in the system. Of the 1,713, we noted that 1,207 requisitions were under \$500, which normally would not have required departmental approval. Our analysis indicated that the volume of One-Time Ship-To requisitions remained a consistent quarter-over-quarter in our scope period.

Because BearBuy allows goods to be shipped to non-University addresses, a lack of monitoring may result in fraud or misuse of University resources. Additionally, unnecessary use of One-Time Ship-To triggers a need for departmental approval even for requisitions under \$500, resulting in a decrease in operational efficiency.

Management Corrective Action

CPC will be taking action to monitor the proper use of One-Time Ship-To addresses. The monitoring activity will include identifying departments that are unnecessarily using the One-Time Ship-To address feature instead of selecting addresses that are already in the system. CPC also will confirm that IT help desk understands the proper use of One-Time Ship-To addresses. All above actions will be taken by September 30, 2013.

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