MEMORANDUM

Date: June 18, 2015   File No. 4169

To: Jim Butler, Deputy Director
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From: **Department of General Services**
Office of Audit Services

Subject: **AUDIT OF THE RELIABILITY OF PROCUREMENT DATA EXPORTED FROM BIDSYNC (ePROCUREMENT)**

This report presents the results of our audit of the reliability of procurement data exported to the Procurement Division (PD) from the state's eProcurement system administered by BidSync, LLC (BidSync). The eProcurement system is the web-based portal for the California State Contracts Register (CSCR), the State Contract and Procurement Registration System (SCPRS), the online Small Business (SB) and Disabled Veteran Business Enterprise (DVBE) query system and the listing of statewide Leveraged Procurement Agreements. At the time of our review, the state was transitioning to a new statewide financial data system called the Financial Information System of California (FI$Cal), which contains a procurement component that will replace the BidSync administered system. Our audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing[1].

In a recent report[2], the California State Auditor (State Auditor) expressed concerns that the Department of General Services (DGS) lacked the ability to obtain a complete and accurate copy of the state's procurement data – as currently maintained in the eProcurement data system – prior to the end of the contract term with BidSync in September 2015[3]. In February 2014, PD finished exporting from BidSync the state's procurement data dating back to the 2009 calendar year. Subsequently, DGS' Office of Audit Services (OAS) was tasked with reviewing the accuracy and completeness of the data.

The objective of our audit was to review PD's and BidSync's procurement data export process to ensure that it resulted in a reliable copy of the data being transferred to the state. Our testing primarily involved evaluating the accuracy and completeness of data elements exported for the four primary categories of eProcurement maintained information: (1) the Bid category, which contains solicitation data; (2) the Purchase Order category, which contains all SCPRS' data fields; (3) the BIS (Business Information System) category, which is the SB and DVBE certification data base; and, (4) the BIS Form Data category, which is the data contained in a SB and/or DVBE certification application.

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[1] Per the referenced audit standards, an external quality assurance review is due to verify OAS' compliance with the standards. Therefore, OAS is not in full compliance with the standards pending the completion of an external assessment.

[2] California State Auditor Report 2013-115, dated February 18, 2014.

[3] At the time of the State Auditor's report, the contract's expiration date was September 30, 2014. Subsequently, the contract term was extended to September 30, 2015.

Our review of the procurement data export process primarily involved determining whether sufficient policies and procedures have been implemented to provide reasonable assurance that the data for the sampled categories is being accurately and completely exported to the state. Reasonable assurance is provided when cost-effective actions are taken to restrict deviations to a tolerable level.

Overall, we concluded that PD and BidSync have established an adequate and effective data export process which ensures that a reliable copy of eProcurement data is being transferred to the state by BidSync. The data export process includes sufficient policies and procedures that provide reasonable assurance that the data for the sampled categories is being accurately and completely exported to the state.

As discussed under the Review Results section of this report, we identified a couple of areas for improvement within the Purchase Order category of eProcurement exported data. Specifically, we determined that: (1) inaccurate data was often being exported to the state regarding a transaction's purchase date; and, (2) in some instances, the supplier number assigned to a transaction could not be matched to exported vendor information. Therefore, complete information was not available to allow the identification of the name of the supplier awarded the procurement. Prior to issuance of our report, BidSync took corrective action to address the first issue regarding the accurate recording of the purchase date. The second issue regarding the identification of the name of the supplier awarded a procurement is still outstanding. However, PD has committed to addressing this issue. We will continue to monitor this issue until resolution.

BACKGROUND

In June 2008, DGS entered into a contract with BidSync[4] to provide DGS with a web-based procurement solution that would serve as the state's centralized electronic purchasing system – the eProcurement system. The eProcurement system, administered by BidSync and overseen by PD, went live in March 2009. At the time of our review, the state was transitioning to a new statewide financial data system called FI$Cal, which contains a procurement component that will replace the BidSync administered system.

The eProcurement system is the web-based portal for the CSCR, SCPRS, the online SB and DVBE query system and the listing of statewide Leveraged Procurement Agreements. Among other things, eProcurement allows state agencies to solicit proposals/quotes for planned procurements, identify SB and DVBE certified businesses and register contract awards. The terms of DGS' contract with BidSync provide that the state shall have separate and independent ownership of all data provided and generated under the agreement, with the data being delivered to the state upon request. By the time of contract completion[5], BidSync is to deliver all data to the state in a compatible format that is suitable for transition back to the state or to a platform of the state's choice.

In brief, during the 2013 calendar year, PD and BidSync began working on developing a process that provides for a copy of eProcurement historical data to be transferred to the state. Ultimately, twenty categories of eProcurement maintained information (see Objective and Scope), with numerous data elements, were identified for export to the state. In February 2014, PD finished exporting from BidSync the state's procurement data dating back to the 2009

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[4] At the time of the original contract, BidSync's legal business name was RFP Depot, LLC.

[5] In September 2014, the contract's expiration date was amended to September 30, 2015.

calendar year. Procurement data applicable to each subsequent month has also been periodically, usually monthly, exported from BidSync to the state.

In a recent report[6], the State Auditor expressed concerns that DGS lacked the ability to obtain a complete and accurate copy of the state's procurement data – as currently maintained in the eProcurement data system – prior to the end of the contract term with BidSync. However, the State Auditor also recognized that, as of January 2014, DGS and BidSync were taking steps for the state to obtain the data. In part, the State Auditor recommended that DGS take all necessary steps to ensure that it can extract a reliable copy of all of the state's procurement data from BidSync, including testing that the data it obtains is accurate and complete. Subsequently, OAS was tasked with reviewing the accuracy and completeness of the data.

OBJECTIVE AND SCOPE

The objective of our audit was to review PD's and BidSync's procurement data export process to ensure that it resulted in a reliable copy of the data being transferred to the state. Upon completing a preliminary survey of the data export process, we selected four categories of eProcurement maintained and exported information for in-depth testing. The four categories were: (1) the Bid category, which contains solicitation data; (2) the Purchase Order category, which contains all SCPRS' data fields; (3) the BIS category, which is the SB and DVBE certification data base; and, (4) the BIS Form Data category, which is the data contained in a SB and/or DVBE certification application. During our tests of the Purchase Order category, we also performed limited testing of the Vendor category, which contains vendor contact information. Our in-depth testing primarily involved evaluating the accuracy and completeness of data elements exported for the four categories.

In our opinion, the four categories noted above, plus the Vendor category, represent the primary categories of eProcurement maintained and exported information and, therefore, were selected for in-depth testing. The remaining 15 categories of information exported to the state are as follows:

- Audit – Tracks changes to bid codes and department names.
- Billing Batch CSCR – CSCR's billing file tables.
- Billing Batch SCPRS – SCPRS' billing file tables.
- Billing Rules – Rules for billing.
- Contract – PD contract data fields.
- Credit Approval Fee Data – Billing credit request approval data field.
- Department – List of departments.
- Location – Additional locations for suppliers.
- Progress Payments – Progress payments data fields.
- Requisition – All requisition data fields.
- Role – The different user roles and permissions allowed within the system.
- User – User names and contact information.
- Workflow Group – Workflow approval set-up.
- Workflow Routing Code – Selection of flags for workflow approval routing.
- Workflow Rule – Workflow rules.

The specific data elements to be transferred to the state in each of the four categories selected for in-depth testing are contained in a December 2013 report entitled *BidSync Source Data*

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[6] California State Auditor Report 2013-115, dated February 18, 2014.

Export Facility[7]. For example, the Bid category has a total of 48 data elements that are to be transferred to the state. This includes information identifying the department name, bid number, bid start and end dates, title or item description, and budget amount.

METHODOLOGY

To determine the accuracy and completeness of the data elements exported to the state, we conducted the following audit activities:

- reviewed practices for the transfer of data by BidSync to the state;

- interviewed PD staff assigned to the data transfer process;

- observed the data transfer process;

- tested a sample of transactions from BidSync (eProcurement system) to the exported data system[8];

- tested a sample of transactions from the exported data system to BidSync[8] (eProcurement system); and,

- performed other tests as deemed necessary.

The following information was developed based on our fieldwork that was primarily conducted during the months of April 2014 through January 2015.

REVIEW RESULTS

Overall, we concluded that PD and BidSync have established an adequate and effective data export process which ensures that a reliable copy of eProcurement data is being transferred to the state by BidSync. The data export process includes sufficient policies and procedures that provide reasonable assurance that the data for the sampled categories is being accurately and completely exported to the state.

The following sections provide information on our examination of four categories of eProcurement maintained data exported to the state and selected for in-depth testing. The four categories are: (1) the Bid category; (2) the Purchase Order category; (3) the BIS category; and, (4) the BIS Form Data category. Our in-depth testing primarily involved evaluating the accuracy and completeness of data elements exported for the four categories.

Although we concluded that an adequate and effective data export process has been implemented, we identified a couple of areas for improvement within the Purchase Order category. As discussed below, we determined that: (1) inaccurate data was often being exported to the state regarding a transaction's purchase date; and, (2) in some instances, the supplier number assigned to a transaction could not be matched to exported vendor information. Therefore, complete information was not available to allow the identification of the name of the supplier awarded the procurement. Prior to issuance of our report, BidSync took

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[7] This document defines the functionality, data elements and technical approach for the export of data to the state by BidSync.

[8] Where applicable, the stop-or-go statistical sampling method was used for our tests. However, due to the nature of some of the data, non-statistical judgment sampling was also used for some tests. In most instances, interval sampling was used in selecting a transaction (record) for testing.

corrective action to address the first issue regarding the accurate recording of the purchase date. The second issue regarding the identification of the name of the supplier awarded a procurement is still outstanding. However, PD has committed to addressing that issue.

- **Bid Category** – our sample tests of the Bid category, which contains solicitation data, disclosed that accurate and complete data is being exported to the state. Specifically, our review of a sample of 300 transactions, each containing a specific set of data on an individual bid, did not disclose any significant discrepancies between BidSync (eProcurement) data and the copy of the data exported to the state. The sample tests covered the period of January 2010 through June 2014.

  To determine the accuracy and completeness of the export process, we selected 150 transactions from the BidSync system and traced them to the data export files. Further, we selected 150 transactions from the data export files and traced them to the BidSync system. As part of our testing, we verified that fields for all 48 data elements[9] existed for the transactions within the exported data. We also verified the accuracy of the following key data elements: department name, bid number, bid start and end dates, title or item description, and budget amount.

- **Purchase Order Category** – overall, we concluded that accurate and complete data is being exported to the state within the Purchase Order category, which contains all SCPRS'[10] data fields. However, based on the results of our sample tests, we identified two areas of concern. First, we determined that inaccurate data was often being exported to the state regarding a transaction's purchase date. Specifically, our review of a sample of 400 transactions, each containing a specific set of data on a procurement transaction, disclosed that the purchase date recorded in BidSync (eProcurement) often differed from the purchase date recorded in the copy of the data exported to the state. For 202 of 400 (50.5%) sampled transactions, the purchase date in the exported database reflected the date the transaction was entered into SCPRS (Created On date field) and not the actual date of the procurement (Purchase Date field).

  After we brought this issue to its attention, PD discussed it with BidSync which agreed that a defect existed in the export process. Consequently, BidSync took corrective action to ensure that the purchase date was accurately recorded in the exported database. In January 2015, we retested a number of our originally reviewed transactions and verified that they now accurately contained a transaction's purchase date.

  In addition, we noted that the Purchase Order category did not have a data element for supplier name which was available in BidSync (eProcurement). The exported data only identifies a number for the supplier awarded the procurement, instead of the supplier's name. To identify the supplier name, we were advised that the supplier number should be used as reference to vendor data contained in the Vendor category of exported data, which contains vendor contact information[11].

  Since the name of the supplier is obviously relevant information for a transaction, we had concerns as to the completeness of the exported transaction data from BidSync (eProcurement). Therefore, we performed tests to determine if the supplier name for a

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[9] The data elements were identified from a December 2013 report entitled *BidSync Source Data Export Facility.*

[10] SCPRS was developed as a contract tracking system to provide a centralized database of state contracting and purchasing transactions. All purchase documents valued over $5,000 shall be registered in SCPRS.

[11] We verified that fields for all 14 data elements (See Footnote 9) existed for the transactions within the exported data for the Vendor category.

specific transaction could be identified in the vendor contact information database. We determined that the supplier number contained in the purchase order exported data did not always match a supplier/vendor number contained in the vendor exported data. Specifically, our sample tests of 51 transactions disclosed 7 (14%) instances where we could not match the supplier number assigned to the transaction to the exported vendor information. Therefore, we could not identify the supplier awarded the procurement.

In brief, the suppliers that could not be located were primarily "Quick Add" vendors, which are assigned a temporary supplier number. Quick Add vendors require further research prior to locking the vendor and assigned number in the preferred supplier list. Apparently, the vendors for the seven sampled transactions never were researched and revised to reflect a final locked in vendor number. Therefore, the supplier name could not be located in the exported vendor contact information database.

At the time of our review, we were advised by PD that it was committed to addressing this issue and is studying the best course of action to take to resolve it, including adding the supplier name to the Purchase Order category of data extracted from BidSync (eProcurement). Currently, BidSync and PD staff are focused on FI$Cal related duties, which is impacting the assigning of staff to address this issue. We will continue to monitor this issue until resolution.

To determine the accuracy and completeness of the export process, we selected 200 transactions from the BidSync system and traced them to the data export files. Further, we selected 200 transactions from the data export files and traced them to the BidSync system. The sample tests covered the period of January 2010 through September 2013. As part of our testing, we verified that fields for all 96 data elements[12] existed for the transactions within the exported data. We also verified the accuracy of a number of key data elements including: order number, purchase date, acquisition method, grand total and item name.

- **BIS Category** – our sample tests of the BIS category, which is the SB and DVBE certification data base, disclosed that accurate and complete data is being exported to the state. Specifically, our review of a sample of 100 transactions, each containing a specific set of data on a SB and/or DVBE's certification, did not disclose any significant discrepancies between BidSync (eProcurement) data and the copy of the data exported to the state. Approximately 81,000 SB/DVBE suppliers (the great majority inactive) were shown in the data export files as created prior to July 2014.

  To determine the accuracy and completeness of the export process, we selected 50 transactions from the BidSync system and traced them to the data export files. Further, we selected 50 transactions from the data export files and traced them to the BidSync system. As part of our testing, we verified that fields for all 51 data elements[12] existed for the transactions within the exported data. We also verified the accuracy of a number of key data elements including: legal business name, address, keywords, FEIN, certification type, certification status (denied, expired, etc.), active/inactive status and expiration date.

- **BIS Form Data Category** – our sample tests of the BIS Form Data category, which is the data contained in a SB and/or DVBE certification application, disclosed that accurate and complete data is being exported to the state. Specifically, our review of a sample of 100 transactions, each containing a specific set of data on a SB and/or DVBE's certification application, did not disclose any significant discrepancies between BidSync (eProcurement) data and the copy of the data exported to the state. Approximately 150,000 SB/DVBE

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[12] The data elements were identified from a December 2013 report entitled *BidSync Source Data Export Facility.*

certification application records were shown in the data export files as created prior to July 2014.

To determine the accuracy and completeness of the export process, we selected 50 transactions from the BidSync system and traced them to the data export files. Further, we selected 50 transactions from the data export files and traced them to the BidSync system. As part of our testing, we verified that fields for all 64 data elements[13] existed for the transactions within the exported data. We also verified the accuracy of the following key data elements: legal business name, mailing address, keywords, FEIN and certification type(s).

CONCLUSION

Although we concluded that PD and BidSync have established an adequate and effective data export process, additional action needs to be taken to ensure that the supplier awarded a procurement is identified by name in the exported database[14]. Consequently, a corrective action plan should be developed that includes a timeline for addressing this issue prior to the end of the contract term with BidSync (September 30, 2015).

Management should be aware that controls cannot prevent all problems because they would not be cost-effective. Moreover, the effectiveness of controls changes over time. Limitations which may hinder the effectiveness of an otherwise adequate system of controls include resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. The presence of these limitations may not always be detected by an audit.

We greatly appreciated the cooperation and assistance provided by PD's personnel.

If you need further information or assistance on this report, please contact me at (916) 376-5058.

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[13] The data elements were identified from a December 2013 report entitled *BidSync Source Data Export Facility*.

[14] See Page 5 and 6 of this report for a detailed discussion of this issue.