

**DELEGATIONS OF AUTHORITY
CALIFORNIA STATE UNIVERSITY,
LONG BEACH**

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ABBREVIATIONS

AB	Assembly Bill
CO	Chancellor's Office
COI	Certificate of Insurance
CPAC	Carpenter Performing Arts Center
CSCR	California State Contracts Register
CSU	California State University
CSULB	California State University Long Beach
DFEH	Department of Fair Employment and Housing
EC	Education Code
EO	Executive Order
FLA	CSULB Foundation Facility Lease Agreement
FUP	CSULB Facilities Use Policy
GC	Government Code
MUR	Maintenance, Upkeep & Repair Costs
MVI	Motor Vehicle Inspector
OSMB	Office of Small and Minority Business
PCC	Public Contract Code
P& SS	Procurement and Support Services
SAR	Sports, Athletics and Recreation
SB	Senate Bill
SUAM	State University Administrative Manual
UEC	University Event Center

INTRODUCTION

PURPOSE

Our principal audit objective was to review and analyze activities to assure that the CSU has acted responsibly under the delegations of authority established by Senate Bill 1828 (1986) and the extended delegation to campus presidents under AB 1191 (1993). The extended delegation of AB 1191 was circulated to the campus under Executive Order 615, Delegation of Acquisition Authority for Personal Property and Services, dated March 23, 1994

SCOPE AND METHODOLOGY

This review emphasized, but was not limited to compliance with state laws, Board of Trustee policies, and Office of the Chancellor, principally via the State University, Administrative Manual (SUAM) and campus policies, letters and directives. Fiscal year 1995-96 was the primary period of review. Our focus involved the records and procedures within the purchasing office and physical plant. Specifically, we reviewed and tested the following areas:

- Specific purchasing and contracting delegations via EO 615;
- Insurance;
- EDP and telecommunication acquisitions;
- Consultant contracts;
- Service orders;
- Small business procurement and contract policy;
- Motor vehicle inspections;
- Agreements and leases;
- Leasing campus real property;
- Contracts for the hiring of space for campus use;
- Property transactions and;
- Sale or exchange of personal property.

We have not performed any auditing procedures beyond the date of our report. Accordingly, our comments are based on our knowledge as of that date and should be read with that understanding.

BACKGROUND

In 1986, Senate Bill (SB) 1898 was passed. This bill extended indefinitely certain CSU delegations of authority concerning purchasing, contracting and other areas of Business Management. The bill’s intent was to promote greater economy or efficiency in CSU operations. The extended delegation involves the following areas:

SB 1828 Delegations

SUBJECT	CODE CITATION
Motor Vehicle Inspections	EC 89031.5
Lease of Campus Property	EC 89046
Property transactions (real & personal), easements, rights-of-way, quit claims, and sale or exchange of personal property	EC 89048
Leasing non-university property for university use	EC 89048 (e)
Insurance	GC 11007.7
Purchases/ Services Agreements under \$100,000	PCC 10295
Purchasing (Federal Surplus Real Property)	PCC 10389
Acquisitions of EDP and Telecommunications Goods and Services under \$100,000	PCC 12100.5

The bill also added section 89045 (d) to the Education Code. This section requires Trustees’ Audit to do a complete audit of the aforementioned delegated subjects at least once every five years. The last audits of these delegated issues occurred during 1991. At that time the SB 1828 delegated items were divided into separate audits under the titles of *Purchasing and Contracting* and *Motor Vehicle Inspections and Real Property Transactions*. For 1996, the SB 1828 delegated subjects have been combined into one audit which is titled *Delegations of Authority*.

Executive Order 615, Delegation of Acquisition Authority dated March 23, 1994, delegated the procurement authority granted to the CSU under AB 1191 (chapter 1097, Statutes of 1993) to campus presidents. This EO delegates to each campus president the authority to execute and implement the following transactions without regard for dollar limits on behalf of the Board of Trustees:

- A. To purchase, lease or license personal property and incidental services related to the procurement of personal property.
- B. To enter into service contracts and consulting service agreements which are not in connection with a construction contract.
- C. To purchase information technology resource goods and services (previously referred to as electronic data processing and telecommunications) in accordance with the provision of Public Contract Code 12100 et seq.

OPINION

We visited the CSU Long Beach campus between September 5-13 and September 23-October 11, 1996 and audited the procedures in effect at that time.

We found that, except for the items noted in the Executive Summary and in the detail of the report, compliance with legislative delegations, CSU and campus policies and procedures was satisfactory. Deficiencies found and satisfactorily addressed during the period of our audit work are not included herein.

EXECUTIVE SUMMARY

The purpose of this section is to provide management with an overview of conditions requiring their attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [] refer to page numbers in the report.

AGREEMENTS AND LEASES

AUXILIARY ORGANIZATIONS [5]

Campus business office management of agreements, leases and licenses involving auxiliary organizations needs improvement. Obtaining Chancellor's Office approval prior to entering into agreements will result in the most favorable contractual conditions among the auxiliary, campus and the CSU. Securing Certificates of Insurance (COIs) at the beginning of the contract period and assuring they meet contractual requirements for the duration of the term reduces the potential risk to the auxiliary, campus and CSU.

FACILITY USE POLICY [6]

The CSULB facility use policy (FUP) was outdated, incomplete, and not consistently followed. Establishing periodic reviews of FUP policies and procedures reduces risk of liability and a potential loss of fee revenues. **Subsequent to our visit, we were provided with a memo from the president authorizing the formulation of an AD HOC campus committee to produce a new proposed facilities use policy by the end of the fall 1996 semester.**

ADMINISTRATION OF SHORT-TERM LEASES - CSULB BUSINESS OFFICE [7]

CSULB Business office management of short-term leases for use of campus property by off-campus groups needs improvement. Strengthening the administration of short-term leases will both assure that the general fund is reimbursed for all related fees and reduce the risk of uninsured off-campus groups using campus facilities.

ADMINISTRATION OF SHORT-TERM LEASES – CSULB FOUNDATION [8]

CSULB Foundation management of short-term leases for use of campus property by off-campus groups needs improvement. Strengthening the administration of insurance requirements will reduce the risk for potential liability issues for both the CSULB Foundation and campus. **Subsequent to our visit, the CSULB Foundation provided us with memos to appropriate campus departments that satisfactorily addressed our concerns regarding insurance coverage related to leases of campus space to off-campus groups.**

LICENSE AGREEMENT BETWEEN CSULB AND CSULB FOUNDATION [9]

Neither the campus nor the Foundation was adhering to the original terms of a February 1990 license agreement regarding use of athletically related facilities. Revising the license agreements to reflect current conditions, and adhering to the license terms, will provide greater assurance that the interests of both the campus and the CSULB Foundation are properly addressed

MOTOR VEHICLE INSPECTIONS [10]

The campus motor vehicle inspection program was deficient in several areas. Assuring the motor vehicle inspection program is fully implemented will improve the overall safety, efficiency and economic well being of the campus motor vehicle fleet. **Subsequent to our visit, the acting director of facilities management provided us with a series of memorandums to appropriate campus staff that initiated corrective actions.**

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

AGREEMENTS AND LEASES

AUXILIARY ORGANIZATIONS

Campus business office management of agreements, leases and licenses involving auxiliary organizations needs improvement.

We noted at least four instances where copies of various agreements, leases and licenses on file within the business office had either lapsed or were approved after the effective date—including those that required CO review and approval. In addition, there were at least eight instances where business office files either contained expired COIs (4) or there was no COI in the file (4)—and the pertinent documents indicated insurance coverage was required.

SUAM Section 2701 et seq., requires that agreements, leases and licenses between campuses and their auxiliary organizations be submitted to the CO for review and approval.

SUAM Section 2710 requires that auxiliary organizations entering into agreements with off-campus groups must obtain approval from the CO. It follows that the campus, since it has entered into agreements with auxiliaries, is responsible for assuring that these documents, including proof of insurance where required, are properly administered.

There was not a clear line of accountability regarding who was responsible for assuring proper administration of these documents and their various requirements.

Entering into agreements prior to the review and approval of the CO could result in unfavorable contractual conditions among the auxiliary, campus and the CSU. Not securing COIs at the beginning of the contract period and assuring they meet contractual requirements for the duration of the term increases potential risk to the auxiliary, campus and CSU.

Recommendation 1

We recommend that the campus strengthen procedures to assure that leases, licenses and agreements with auxiliary organizations are currently maintained and submitted to the CO for review and approval in a timely manner.

Campus Response

We concur. The campus will recognize one office to officially track and process all agreements with auxiliary organizations.

Recommendation 2

We recommend that the campus strengthen procedures to assure that contractual documents involving the need for liability insurance contain appropriate coverage, including additional insureds, through the length of the contract.

Campus Response

We concur. Procurement and Support Services Director's Memo PSS96-30, which sets forth requirements for liability insurance, has been distributed to appropriate staff.

FACILITY USE POLICY

The CSULB facility use policy (FUP) was outdated, incomplete, and not consistently followed.

Areas of concern included:

- ▶ The FUP contained outdated/ incomplete information on: fee reporting to the Chancellor's Office for review and approval; rates involving athletic facilities that are no longer handled through P&SS and; discussion regarding how film permits/fees are to be handled.
- ▶ The FUP established three different types of fees: rental, maintenance, upkeep and repair (MUR) and other special fees. Only the rental fees were being credited to the general fund while the MUR and special fees were being credited to state trust accounts. All three types of fees were generated through the rental of a facility and should be credited to the general fund.
- ▶ The FUP indicated that the vice president of Administration & Finance will periodically review and recommend new rates to the president. Existing records did not indicate that this process was in effect.
- ▶ Neither the FUP or applicable lease agreements contained a reference to a non-discrimination policy. At the conclusion of our visit, the Business office lease coordinator provided us with a revised lease agreement which addressed the issue of a non-discrimination statement.

SUAM Section 2710 and 2711, et seq., establishes certain requirements related to the issues involving the leasing of campus property to off-campus groups. The CSULB FUP contains more specific procedures and requirements.

No individual or department had been specifically charged with the responsibility of assuring that the FUP and related policies and procedures were current and followed.

By not establishing periodic reviews of FUP policies and procedures, there is an increased risk of liability and a potential loss of fee revenues.

Subsequent to our visit we were provided with a memo from the president authorizing the formulation of an AD HOC campus committee to produce a new proposed facilities use policy by the end of the Fall 1996 semester.

Recommendation 3

We recommend that the issues noted above be provided to the AD HOC campus committee so that appropriate corrective measures are incorporated into the new facilities use policy.

Campus Response

We concur. The campus Ad Hoc Facility Use Committee, formed at the request of the president, will be specifically addressing the issue of fees and departmental responsibility with final written documentation due in winter 1997.

ADMINISTRATION OF SHORT TERM LEASES – CSULB BUSINESS OFFICE

CSULB business office management of short term leases for use of campus property by off-campus groups needs improvement.

Our review of ten short term leases consummated between January 1, 1996 to mid-October 1996 indicated the following:

- ▶ Three of the leases were not signed until after the applicable facility had been used. A fourth lease was not signed by either the campus or the lessee.
- ▶ One lease provided for \$ 3, 750 of the \$ 6,458 in fees to be credited to CSULB Foundation accounts. At the time of our review, only \$ 375.00 had been deposited into a CSULB Foundation account. The remaining \$3,375.00 continued to be scheduled for credit to a CSULB Foundation account but was being held by the campus in an unclosed collection account pending resolution of an issue with the lessee.
- ▶ None of the ten leases met the necessary conditions for certificates of insurance (COI). There were instances where COIs were missing, additional insureds had not been added, COIs did not cover the entire period of facility use and, the COIs were received after the facility had been used.

No individual or department had been specifically charged with the responsibility of assuring the terms and conditions of the lease agreements were fully complied with.

Failure to properly administer the use of short term leases increases the risk of liability and possible loss of revenue.

Recommendation 4

We recommend that the campus strengthen procedures to assure that short term leases are properly administered.

Campus Response

We concur. The campus's Ad Hoc Facility Use Committee, formed at the request of the campus president, is specifically addressing short term lease procedures with final written documentation due in winter 1997.

ADMINISTRATION OF SHORT TERM LEASES – CSULB FOUNDATION

CSULB Foundation management of short term leases for use of campus property by off-campus groups needs improvement.

CSULB Foundation has been licensed to manage events within the Carpenter Performing Arts Center (CPAC) and the University Events Center (UEC), commonly referred to as the Pyramid. The CSULB Foundation also has an agreement with the campus to manage events under the aegis of the Sports, Athletics and Recreation Department.

CPAC Facility Lease Agreements

We received all 14 of the facility lease agreements (FLA) issued between January and October 1996 involving rentals to off-campus groups at the CPAC. The following issues regarding insurance were noted.

- ▶ Three of the files did not contain a copy of the required COI.
- ▶ Three of the COIs were not received until after the facility had been used.
- ▶ None of the 14 FLAs contained a statement involving additional insureds other than Foundation directors, employees, etc.

UEC/SAR Sub-License Agreements

We reviewed ten of the forty five sub-licenses between January and October 1996 involving rentals of both the UEC and other CSULB sports and recreational facilities. The following issues regarding insurance were noted.

- ▶ None of the 10 sub-license agreements consistently cited all the additional insureds contained in the sub-license agreement.

The CSULB Foundation lease agreements contained criteria which satisfactorily followed the short term lease guidelines established in SUAM Section 2711.01.

No individual or department had been specifically charged with the responsibility of assuring the terms and conditions of the lease agreements were fully complied with.

By not assuring receipt of current and complete certificates of insurance, both the CSULB Foundation and campus are at increased risk for potential liability issues.

At the conclusion of our fieldwork, the CSULB Foundation director, finance and accounting provided us with memos to appropriate campus departments that satisfactorily addressed our concerns regarding insurance coverage related to their sub-leases of campus space to off-campus groups.

LICENSE AGREEMENT BETWEEN CSULB AND CSULB FOUNDATION

Neither the campus nor the Foundation was adhering to the original terms of a February 1990 license agreement regarding use of athletically related facilities. We found that:

- ▶ The license agreement includes an attachment titled *Operational Guidelines for Sports and Activities Camps*. This attachment is not referenced in the body of the license agreement. This is an important issue in that the license agreement states that the Auxiliaries' payment for facilities and services will be remitted to the university in a timely manner while the *Operational Guidelines* indicate that certain elements of facility use fees were to be retained in CSULB Foundation accounts.
- ▶ The established rental rates included use of other than athletic areas of the campus such as several University Theaters. It was not clear to us how athletic events would require use of such facilities.
- ▶ The license's *Operational Guidelines* provide that fees may be adjusted, including waivers, upon approval of the associate vice president for financial management. Our review of the ten sublicense agreements for use of the UEC and other CSULB athletic areas indicated that the fees mentioned in the license agreement generally do not match the fee rates actually assessed

and there was no indication of approval from the associate vice president for financial management.

- ▶ The *Operational Guidelines* indicate that rental rates for use of the facilities are to be deposited to the General Fund Current Year Support Budget. The rental fees included in the ten sub-license agreements noted in the paragraph above were deposited in CSULB Foundation accounts.

The cause for these deficiencies was primarily attributable to a change in management within the athletic department as well as a replacement of the two individuals named as contract coordinators in the Operating Agreement (both of whom were responsible for assuring compliance with the terms and conditions of the license agreement).

Failure to update the license agreement between the university and the Foundation, related to the use of the athletic fields, leads to uncertainty as to the intentions of both parties.

Recommendation 5

It is recommended that the campus and CSULB Foundation jointly review and revise their license agreement to assure it addresses the current expectations of both organizations. In addition, the campus should designate a specific individual to assure compliance with the terms and conditions of the license agreement.

Campus Response

We concur. The Foundation is in the process of reviewing and revising the license agreement and will designate the appropriate campus individual to assure compliance with the terms and conditions of the new license agreement.

MOTOR VEHICLE INSPECTIONS

The campus motor vehicle inspection program was deficient in several areas. Our review indicated that:

- ▶ There was no delegation of authority from the president to the current motor vehicle inspector. This issue was corrected during the course of the audit.
- ▶ There was no record of consistent weekly and monthly vehicle inspections by designated operators.
- ▶ Seven of the 25 vehicles had not received the required periodic safety/maintenance inspections established by both SUAM and the February 18, 1994 CSULB Plant Operations memo "Maintenance of State Vehicles". Six of the seven vehicles were assigned to departments not

attached to Plant Operations. *This is a repeat finding from our prior audit report #91-02 dated September 12, 1991.*

- ▶ Eight of the twenty-five vehicles in our test had been acquired within the past two years. There was no evidence of procedures being in place to monitor the new car warranties. *This is a repeat finding from our prior audit report #91-02 dated September 12, 1991.*

SUAM Section 2700, et seq., addresses the vehicle inspection process required in the CSU. CSULB Plant Operations memo dated February 18, 1994, "Maintenance of State Vehicles," provides local procedures involving several aspects of the CSU Policy.

There was a change in motor vehicle inspectors since our last audit and the issues raised in our 1991 audit report were not passed along to the current motor vehicle inspector. In addition, the operator and periodic safety/maintenance issues were primarily due to Plant Operations not having procedures in place to follow up with those departments who were not complying with the 1994 Plant Operations Policy.

Not assuring that the motor vehicle inspection program is fully implemented increases the risk that the overall safety, efficiency and economic well being of the campus motor vehicle fleet is less than satisfactory.

At the conclusion of our fieldwork, the acting director of facilities management provided us with a series of memorandums to appropriate campus staff initiating appropriate corrective measures.

Recommendation 6

It is recommended that the campus establish procedures to assure the vehicle inspection corrective measures recently initiated are fully implemented.

Campus Response

We concur. The acting director of facilities management will follow up to assure that the procedures outlined in the newly issued directives are implemented and carried out according to the specified schedule.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Robert Maxson	President
Elizabeth Beall	Purchasing Manager
Scott Charmack	Associate Vice President for Physical Planning & Facilities Management
Larry Elliott	Campus Motor Vehicle Inspector
Kathleen Hext	Director of Internal Audit
William Griffith	Vice President, Administration and Finance
Charles Hughes	Director, Procurement & Support Services
Joseph Latter	Associate Vice President, Financial Management
Mary Ann Odell	Lease Coordinator
David Prenovost	Director of Finance and Accounting, CSULB Foundation
Sandra VanderHayden	Executive Director, CSULB Foundation
Robert Quirk	Associate Director, Facilities Management