

DELEGATIONS OF AUTHORITY
CALIFORNIA STATE UNIVERSITY,
STANISLAUS

Report Number 06-16
August 3, 2006

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ABBREVIATIONS

AB	Assembly Bill
BOT	Board of Trustees
CRL	Contract Resource Library
CSU	California State University
CSUS	California State University, Stanislaus
DFEH	Department of Fair Employment and Housing
DVBE	Disabled Veteran Business Enterprise
EO	Executive Order
PCC	Public Contract Code
PMCP	Policy Manual for Contracting and Procurement
SAM	State Administrative Manual
SB	Senate Bill
SUAM	State University Administrative Manual

EXECUTIVE SUMMARY

The Committee on Audit, at its January 2006 meeting, directed the Office of the University Auditor to review the audit subject *Delegations of Authority*. Delegations of Authority was previously audited in 2001.

We visited the California State University, Stanislaus campus from April 24, 2006, through May 26, 2006, and audited the procedures in effect at that time.

In our opinion, the existing policies and procedures for the administration of the procurement and support services function were, for the most part, effective. However, the controls over small business and Disabled Veteran Business Enterprise (DVBE), purchases of recycled materials, contract notification requirements, execution of purchase documentation, service provider insurance requirements, campus-owned vehicles, and campus leasing of university facilities required management attention.

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

SPECIAL PURCHASING ISSUES [7]

A DVBE and small business coordinator had not been appointed and the fiscal year 2004/05 small business report and supporting documentation for small business contract dollars was understated by \$98,315. In addition, required contractor certifications were not consistently obtained and the campus did not meet the prescribed legislative goals for the acquisition of recycled products.

SPECIFIC CONTRACT ISSUES [9]

The Department of Fair Employment and Housing (DFEH) contract notification requirements were not met. The contract award report (State Standard Form 16), which must be filed with the DFEH for all contracts exceeding \$5,000, was not completed.

PROCUREMENT OF SERVICES AND PERSONAL PROPERTY [9]

Purchase documentation was not always properly approved. A review of 62 purchase orders and contracts disclosed that 10 were approved by buyers for amounts over their authorized approval limits. Further, vendors did not always have adequate levels of insurance when performing services on campus. Three of seven vendors reviewed lacked certain insurance requirements.

MOTOR VEHICLE INSPECTIONS AND USE [11]

The campus motor vehicle inspection program lacked some of the required elements. There were no written policies and procedures, an annual analysis of operating costs was not performed, and the individual designated as the motor vehicle inspector was not the individual responsible for the motor vehicle inspection program.

AGREEMENTS AND LEASES [13]

The campus had not taken the appropriate steps to ensure that facility use agreements were adequate and properly approved, fees were approved and properly charged, and policies and procedures were formalized.

INTRODUCTION

BACKGROUND

In 1986, Senate Bill (SB) 1828 extended indefinitely certain California State University (CSU) delegations of authority concerning purchasing and contracting activities, motor vehicle inspections, and real and personal property transactions. The bill's intent was to promote greater economy and efficiency in CSU operations and was expanded by Assembly Bill (AB) 1191 in 1993. The bill also added section 89045(d) to the Education Code:

(d) In addition, the internal audit staff shall perform audits, at least once every five years, of the activities of the CSU pursuant to Sections 89031.5, 89036, 89046, and 89048 of the Education Code and Section 11007.7 of the Government Code.

Executive Order (EO) 615, *Delegation of Acquisition Authority for Personal Property and Services*, dated March 23, 1994, delegated the procurement authority granted to the CSU under AB 1911 to campus presidents. EO 667, *Acquisition of Personal Property and Services*, dated April 1, 1997, superseded EO 615 with expanded provisions contained in the newly created *CSU Policy Manual for Contracting and Procurement (PMCP)*. EO 775, *Acquisition of Personal Property and Services*, dated June 6, 2001, superseded EO 667 to include delegation of authority to acquire information technology resources. EO 760, *Procurement Cards*, dated October 16, 2000, delegated authority for the use of procurement cards to campus presidents.

The *CSU PMCP* states that CSU purchasing and contracting policies are adopted to form compliance with a variety of statutory and policy provisions found in the State of California statutory codes (i.e., Education Code, Public Contract Code, Government Code, etc.); Title 5, California Code of Regulations; the Standing Orders and Resolutions of the Board of Trustees (BOT); specific Trustee policy issued via chancellor Executive Orders and administrative policy memoranda. CSU contracting and procurement policies encompass the following fundamental principals:

- ▶ Recognition that the basic mission of the CSU is to support the teaching, research, and public service requirements for higher education for the people of the State of California.
- ▶ Recognition that the continued development and refinement of purchasing policies in accordance with good business judgment and best business practices is paramount to the effective and efficient total operations of the CSU.
- ▶ The firm belief that it is in the best interest of the CSU to limit, as much as possible, prescriptive policies and regulations and to provide maximum flexibility to, and accountability for, the adoption of local campus policies and procedures to ensure the cost effective operation of campus business.
- ▶ Recognition that the policies contained in the *CSU PMCP* are intended to establish a baseline for compliance with state law and Trustees policy. It is the responsibility of the campus to determine the disposition of any issue not specifically addressed in the *CSU PMCP* or otherwise prescribed in law or regulation.

The *CSU PMCP* further states that the CSU is committed to maintaining high standards of performance based upon fair, ethical, and professional business practices. It is expected that each campus president and administrative staff will develop and adopt local campus policies and operational procedures, which further the implementation of Trustee policy presented within the *CSU PMCP*.

EO 691, *Motor Vehicle Inspections* dated November 23, 1998, issued in response to our 1996 review, updated and streamlined prior motor vehicle inspection requirements. The EO directs each campus to implement a motor vehicle inspection program, specifies eight guidelines that should be included, directs the president to assign the function to an individual, and requires that the chancellor's office be notified of the individual assigned. CSU policy concerning the use of motor vehicles is codified in *CSU Use of University and Private Vehicles Policy Guidelines* booklet dated March 2002, which was issued via Technical Letter 2002-16 from human resources administration.

EO 669, *Leases*, dated May 1, 1997, delegated the authority to execute leases of real property to campus presidents as either lessor or lessee without approval by the Office of the Chancellor subject to certain limitations and superseded a prior EO issued in 1983. The EO requires the use of standard provisions from model lease agreements, an assessment of risk of liability potential for each lease agreement, a competitive process for leasing to for-profit enterprises, an accounting for leases in the campus financial records, and maintenance of a central repository for all current lease agreements.

EO 409, *Purchase, Sale, Lease, and License of Personal Property*, dated January 5, 1983, delegated authority to sell or exchange personal property to campus presidents and has been superseded except for Item B. The EO permits the sale or exchange of personal property when the campus president determines it is in the best interest of the CSU and the transaction is based on fair market value.

State University Administrative Manual (SUAM) §9018, *Acquisition and Granting of Easements and Acceptance of Quitclaims*, sets forth the processing guidelines and responsibilities for such property transactions by the campus and the land records staff of the chancellor's office Capital Planning, Design and Construction department.

The primary objective in this audit will be to review and analyze activities to assure that the CSU has acted responsibly under the delegations of authority listed in Executive Orders 775, 760, 691, 669, and 409 and applicable *CSU PMCP* and SUAM §9018 requirements. Specific areas to be covered will include, but not be limited to: certain purchasing and contracting issues; commodity, information technology resources and services acquisitions; consultant contracts; service orders; small business and other special purchasing issues; motor vehicle inspections and use; agreements and leases; leases of real property as either lessor or lessee; easements, right-of-way, and quitclaim transactions; and the sale or exchange of real and personal property.

PURPOSE

Our overall audit objective was to review and analyze activities to assure that the CSU has acted responsibly under the *Delegations of Authority* established by SB 1828 (1986) and expanded by AB 1191 (1993) and to determine the adequacy of controls over the related processes to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

Within the overall audit objective, specific goals included determining whether:

- ▶ Administration and management of procurement activity provide an effective internal control environment, adequate local policies and operational procedures, current written delegations, and observance of good business practices in compliance with CSU policy.
- ▶ Sourcing options and alternatives are used to maximize purchasing leverage, achieve discounts, and reduce administrative costs; bidding requirements are enforced and adequately controlled; and campus policy maximizes advertising in the California State Contracts Register.
- ▶ Methods used to execute low-value purchases are properly delegated and adequately controlled and campus use of service orders is appropriate.
- ▶ Vendor protests, disputes, complaints, and exclusion from bidding are handled in accordance with CSU policy and maintenance of vendor data is adequate.
- ▶ Efforts are made to meet Disabled Veteran Business Enterprise (DVBE) and Buy Recycled goals; purchasing preferences are properly granted; and DVBE, small business, and Buy Recycled reporting is timely, accurate, and supportable.
- ▶ Purchase agreements are properly executed and include required conditions, provisions, certifications, and insurance requirements, and Department of Fair Employment and Housing contract notification requirements are met.
- ▶ The campus motor vehicle inspection program and use of CSU-owned vehicles comply with CSU policies regulations, including the designation of a vehicle inspector.
- ▶ Leasing activities are adequately controlled and comply with CSU policy, and state regulations and leases are properly executed.
- ▶ The campuses and the chancellor's office correctly acquired and granted easements, rights-of-way and quitclaims, and the sale or exchange of personal property complies with CSU policy and the Education Code.

SCOPE AND METHODOLOGY

The scope of the audit, as presented at the February 1, 2006, meeting of the Committee on Audit, included, but was not limited to, the review of procurement, the use of the California State Contracts Register, recycling efforts, motor vehicle use, leasing activities, and rights of way. *Delegations of Authority* is a mandated audit and is required by the Education Code at least once every five years.

Our study and evaluation were conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors, and included the audit tests we considered necessary in determining that operational and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with state and federal laws, BOT policies, and Office of the Chancellor and campus policies, letters, and directives. The audit review focused on procedures in effect from January 2005 through April 2006. In instances when it was necessary to review annualized data, fiscal year 2005/06 was the primary period reviewed.

We focused primarily upon the internal administrative, compliance, and operational controls over delegation of authority and contracting activities, motor vehicle inspection, and real and personal property transactions. Specifically, we reviewed and tested:

- ▶ Specific purchasing, contracting, and leasing activities, delegations, and limitations.
- ▶ Sourcing options and alternatives.
- ▶ Bidding procedures and exceptions.
- ▶ Contract advertising and reporting practices.
- ▶ Low-value purchase methods and controls.
- ▶ Handling of vendor protests, disputes, and complaints.
- ▶ Maintenance of vendor data.
- ▶ Granting of purchase preferences.
- ▶ Preparation of DVBE, small business, and Buy Recycled reports and goal attainment.
- ▶ Execution of purchase agreements and leases.
- ▶ Motor vehicle inspection and use policies and controls.
- ▶ Easements, rights-of-way, and quitclaims and the sale or exchange of personal property.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

SPECIAL PURCHASING ISSUES

DISABLED VETERAN BUSINESS ENTERPRISE AND SMALL BUSINESS

A Disabled Veteran Business Enterprise (DVBE) and small business coordinator had not been appointed. In addition, the fiscal year 2004/05 small business report and supporting documentation for small business contract dollars was understated by \$98,315.

The *California State University (CSU) Policy Manual for Contracting and Procurement (PMCP)* §215 and §216 state, in part, that campuses shall appoint a DVBE and small business coordinator to support the CSU DVBE and small business advocate with certain duties. It further states that campuses must report annually on the number and amount of contracts and purchase orders awarded to small businesses.

The procurement services director stated that the previous person assigned as the DVBE and small business coordinator recently changed job positions within the department and due to inadequate staffing, the DVBE responsibility had not been reassigned. She further stated that the understatement of small business contract dollars was an oversight by her while reviewing the report due to the system conversion from Banner to PeopleSoft during this reporting year. She added that the supporting reports were different and she misinterpreted them.

Inadequate staffing and review procedures increase the risk of non-compliance with DVBE and small business requirements and inaccurate reporting.

Recommendation 1

We recommend that the campus assign a DVBE and small business coordinator and strengthen the controls surrounding the report preparation and review procedures.

Campus Response

We concur. The campus is in the process of hiring a new senior buyer and he/she will be assigned the DVBE and small business coordinator duties. The director and staff are now more familiar with PeopleSoft reports and the PeopleSoft system forestalling future report inaccuracies. Copies of current year reports and verification of coordinator responsibilities will be forwarded by October 2006.

STATE AGENCY BUY RECYCLED CAMPAIGN

Required contractor certifications were not consistently obtained and the campus did not meet the prescribed legislative goals for the acquisition of recycled products.

We found that:

- ▶ Required contractor certifications were not consistently obtained for the recycled content of commodity purchases.
- ▶ The total recycled content of reportable product categories was 40%, not 50% as required.

Public Contract Code (PCC) §12205 states that contractors shall be required to certify in writing the minimum percentage, if not the exact percentage, of post-consumer and secondary material in the materials, goods, or supplies provided or used. This certification shall be furnished under penalty of perjury. The certification shall be provided regardless of content, even if the product contains no recycled materials.

PCC §12203 states that each state agency shall ensure that at least 50% of reportable purchases are recycled products.

The *CSU PMCP* §235 states that campus procurement offices, to the maximum extent economically feasible, shall strive to meet or exceed the legislative goals and timetables prescribed by the California legislature for the acquisition of recycled products.

The procurement services director stated that the buyers followed-up with contractors for the certification, but they still did not send it. She further stated that the procurement department did not have the ability to exercise control over this criteria as so many purchases were made via procurement card and other methods.

Failure to consistently obtain contractor certifications for the recycled content of commodity purchases increases the risk of non-compliance with state regulations, while missing mandated goals increases the risk of non-compliance with legislative mandates.

Recommendation 2

We recommend that the campus:

- a. Strengthen enforcement efforts to obtain required contractor certifications for the recycled content of commodity purchases.
- b. Develop a plan of action to improve compliance with prescribed legislative goals.

Campus Response

We concur. We will continue to follow-up with vendors to obtain the contractor certification for recycled content. We will work with the vice president of business and finance and the president to encourage use of recycled products. Verification of vendor follow-up will be forwarded by October 2006.

SPECIFIC CONTRACT ISSUES

The Department of Fair Employment and Housing (DFEH) contract notification requirements were not met.

The contract award report (State Standard Form 16), which must be filed with the DFEH for all contracts exceeding \$5,000, was not completed.

The *CSU PMCP* §404 states that campuses shall give written notice at least quarterly to the DFEH of all contracts (but not purchase orders) over \$5,000.

The procurement services director stated that due to turnover in the department over the last two years, reporting requirements fell behind.

Failure to report awarded contracts to the DFEH, as required, limits the ability of that agency to monitor state purchasing procedures for discriminatory practices.

Recommendation 3

We recommend that the campus establish procedures to ensure that all service contracts over \$5,000 are reported to the DFEH.

Campus Response

We concur. Procedures are established outlining when and how service contracts are to be reported to the DFEH. All service contracts over \$5,000 are now being reported to the DFEH. We will send procedures and a copy of the most current report by October 2006.

PROCUREMENT OF SERVICES AND PERSONAL PROPERTY

AUTHORIZATION OF PURCHASES

Purchase documentation was not always properly approved.

Our review of 62 purchase orders and contracts disclosed that 10 were approved by buyers for amounts over their authorized approval limits.

State Administrative Manual (SAM) §20050 states that the elements of a satisfactory system of internal accounting and administrative controls include a system of authorization and recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

The California State University, Stanislaus (CSUS) *Purchasing, Property, Receiving, and Risk Management Procedure Manual* states that a buyer I can approve purchase orders up to \$2,500, a buyer II can approve up to \$10,000, and a buyer III can approve up to \$100,000.

The procurement services director stated that six of the purchase orders were approved by a buyer that had since left the university, two were approved by a new buyer of only two weeks, and the last two were approved by two different buyers and were an oversight.

Inadequate control over the approval of purchases increases the risk of inappropriate expenditures.

Recommendation 4

We recommend that the campus strengthen procedures to ensure that purchase documentation is approved in accordance with campus policy.

Campus Response

We concur. Authorized approval limits have been raised for buyers to better accommodate their purchasing authority. Procedures for reviewing purchase orders for proper approval will be established and implemented. A copy of the procedures and new approval limits will be forwarded by October 2006.

SERVICE PROVIDER INSURANCE REQUIREMENTS

Vendors did not always have adequate levels of insurance when performing services on campus.

Our review of seven service contracts where the vendors provided services on campus during fiscal year 2005/06 revealed that three did not have the proper level of insurance. Insurance documentation was not obtained for two vendors and the other vendor lacked the additional insured endorsement and did not have adequate workers' compensation coverage.

Executive Order (EO) 849, *California State University Insurance Requirements*, dated February 5, 2003, requires the vendor to show evidence of adequate insurance coverage by furnishing a certificate of insurance and specifies minimum insurance coverage requirements. Further, the campus may permit exceptions to the requirements in this EO following risk identification and evaluation.

The CSUS *Purchasing, Property, Receiving, and Risk Management Procedure Manual* states that the university complies with EO 849 as it pertains to insurance. Campus policy requires insurance certificates on services or construction, which are (1) \$2,500 and over and (2) performed on campus.

The procurement services director stated that the two with no insurance documentation were copier maintenance vendors and the campus typically did not require copier maintenance contracts to have insurance due to the low risk. She further stated that the vendor with inadequate coverage was an oversight by the buyer.

Failure to require adequate levels of vendor insurance can result in increased liability exposure to the campus.

Recommendation 5

We recommend that the campus strengthen procedures for the review and retention of required insurance documentation, including documentation of any exceptions following risk identification and evaluation, to ensure that all service providers have adequate insurance coverage in accordance with CSU requirements.

Campus Response

We concur. We will rewrite our procedures for the review and retention of required insurance documentation and include procedures for documenting exceptions to the general insurance coverage requirements. A copy of the procedures and the exceptions form will be sent by October 2006.

MOTOR VEHICLE INSPECTIONS AND USE

The campus motor vehicle inspection program lacked some required elements.

We found that:

- ▶ Written policies and procedures had not been developed to document the campus motor vehicle inspection program.
- ▶ An annual analysis of operating costs was not performed.
- ▶ The chancellor's office and CSUS did not have the same person on file as the motor vehicle inspector. The individuals they had on file were not responsible for the motor vehicle inspection program.

EO 691, *Motor Vehicle Inspections – Delegation of Authority*, dated November 23, 1998, states that the campus president is responsible for the implementation of a campus motor vehicle inspection program and shall ensure that all aspects of the vehicle inspection program guidelines are followed. The campus president shall assign this function to an individual on campus and notify the chancellor's office of that individual.

SAM §20050 states that a satisfactory system of internal administrative control shall include, but not be limited to, an established system of practices to be followed in performance of duties and functions. Further, the non-existence of policy and procedural or operational manuals is a sign of a vulnerable control system.

The maintenance and operations director stated that the department was unaware of all the EO 691 requirements, but campus policies were in place to address some of the elements.

Failure to maintain comprehensive policies and procedures and clearly identify a motor vehicle inspector increases the risk of misunderstandings of the expectations relating to the performance of motor vehicle inspection duties. Failure to complete an annual analysis of operating costs increases the risk that vehicle costs and repairs will exceed the value of the vehicle.

Recommendation 6

We recommend that the campus:

- a. Develop and fully implement comprehensive written policies and procedures for the motor vehicle inspection program in accordance with EO 691.
- b. Prepare an annual analysis of operating costs.
- c. Identify the individual responsible for the motor vehicle inspection program, delegate the responsibility to this individual, and notify the chancellor's office in accordance with EO 691.

Campus Response

- a. We concur. Facilities maintenance and operations will develop and fully implement comprehensive written policies and procedures for the motor vehicle inspection program in accordance with EO 691 using approved policies and procedures developed by CSU campuses systemwide. The campus expects to complete the policies and procedures by January 1, 2007.
- b. We concur. Facilities maintenance and operations will prepare an annual analysis of operation costs using approved policies and procedures developed by CSU campuses systemwide. Facilities services expects to complete the annual analysis by January 1, 2007.
- c. We concur. Facilities services will identify the individual responsible for the motor vehicle inspection program, delegate the responsibility to this individual, and notify the chancellor's office in accordance with EO 691 by September 1, 2006.

AGREEMENTS AND LEASES

The campus had not taken the appropriate steps to ensure that facility use agreements were adequate and properly approved, fees were approved and properly charged, and policies and procedures were formalized.

Our review of 19 facility use agreements and the CSUS *Facility Use Procedural Guidelines* disclosed that:

- ▶ The campus was unable to provide us with evidence that the president or designee had approved the current rental fee schedule, the delegation of authority to the president's designee was not current, and rental fees for 9 of the 19 (47%) facility use agreements reviewed did not agree with the current fee schedule.
- ▶ The facility use agreement for 17 of the 19 (89%) events reviewed did not contain all the standard provisions included in the CSU model agreement as required. In addition, the facility use agreement was reviewed and approved as to form by the procurement services director, not the Office of General Counsel at the chancellor's office.
- ▶ There was no evidence of CSUS approval for 13 of the 19 (68%) facility use agreements reviewed and the remaining were executed by the facilities reservation specialist without a written delegation of authority from the campus president.
- ▶ Written policies and procedures over the facility reservation process had not been finalized and approved by management.

Standing Orders of the CSU Board of Trustees (BOT) §II.i and §VI.f state that the chancellor has the authority to establish and oversee campus fees; establish, adjust, and oversee systemwide fees subject to overall direction of the BOT; and the campus president is authorized to oversee and adjust campus fees. Presidents may delegate their authority to other officials on their campuses.

EO 669, *Leases*, dated May 1, 1997, states, in part, that authority is delegated to the campus president or designee subject to certain exceptions to execute leases of real property as either lessor or lessee. All agreements executed by the campus president must include, at a minimum, the standard provisions and language included in the model lease agreements maintained by the Office of the Chancellor. These leases have been approved as to form by the Office of General Counsel.

The chancellor's office Contract Services and Procurement department's Contract Resource Library (CRL) includes forms that describe the specific terms and requirements for the leasing of state facilities and land as well as CSU model lease agreements. Form CRL024, *Model Lease by Campus President*, is the model lease agreement for leasing campus property.

SAM §20050 states that a satisfactory system of internal administrative control shall include, but not be limited to, an established system of practices to be followed in performance of duties and functions. Further, the non-existence of policy and procedural or operational manuals is a sign of a vulnerable control system.

The commercial operations manager stated that the facility fee schedule was revised multiple times as the management of facility use by off-campus groups developed. She also indicated that the campus had attempted to determine overhead and actual costs through experience. Further, she added that specific events often required fees to be negotiated based upon the number of facilities being used, specific services required, and extenuating circumstances. She also stated that the new president requested all policies be condensed and the new policy, which delegated authority to the vice president of business and finance, was still pending. She added that the lack of delegation of authority to execute facility use agreements was an oversight as there was a misunderstanding about the use of university facilities by off-campus groups for specific events being considered a lease versus a contract.

Inadequate control over the leasing of state facilities increases the risk of unapproved rental fees, lost fee revenue, inappropriate rentals, and incomplete facility use agreements.

Recommendation 7

We recommend that the campus:

- a. Obtain approval from the campus president or designee for the current rental fee schedule, establish procedures to maintain such approvals on a current basis, and ensure fees are charged in accordance with the schedule.
- b. Revise the campus facility use agreement to include the minimum standard provisions and language from the chancellor's office model lease agreement form CRL024 or consult with the Office of General Counsel.
- c. Obtain a delegation of authority for the approval of facility use agreements from the campus president or designee and implement procedures to maintain such delegation on a current basis.
- d. Finalize the *Facility Use Procedural Guidelines*, obtain management approval, and implement the policies and procedures.

Campus Response

- a. We concur. The current rental fee schedule will be approved in writing by September 30, 2006. The rental fee schedule will be reviewed and approved in writing in August of each calendar year, establishing any rental fee changes for the following calendar year. The facility scheduling coordinators will adhere to the approved rental fee schedule. Any variance from the rental fee schedule for a specific event will be approved in writing by the campus president or designee and documentation will be attached to the facility rental agreement.

- b. We concur. A campus facility use agreement has been written using the CSU model lease agreement. It is in the process of being approved by appropriate campus personnel. It will be submitted for approval by the CSU Office of General Counsel by September 30, 2006.
- c. We concur. The appropriate delegation of authority has been issued for the approval of facility use agreements. A copy of this document will be forwarded by September 30, 2006. Keeping the delegation of authority current will be part of the job duties of the facility scheduling office supervisor.
- d. We concur. The updated facility policy and *Facility Use Procedural Guidelines* are being reviewed by managing personnel. It will be submitted to the president for approval by September 30, 2006.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Hamid Shirvani	President
Cliff Bailey	Director, Maintenance and Operations
Frank Borrelli	Material Management Lead
Melody Bughi	Buyer II
Eleanor Carpenter	Accounting Technician II
Carol Castillo	Director, Procurement Services
Lori Cole	Facilities Reservations Office
Debra Da Rosa	Lead Buyer
April Dunham-Filson	Accounts Payable Lead
Kellie Marshall	Health and Safety Specialist
Rudy Medina	Information Technology Consultant
Becka Paulsen	Assistant Vice President, Financial Services
Clyta Polhemus	Commercial Operations Manager, Auxiliary and Business Services
Karen Poole	Buyer II
Mary Stephens	Vice President, Business and Finance
Victor Whiteside	Landscape/Transportation Manager

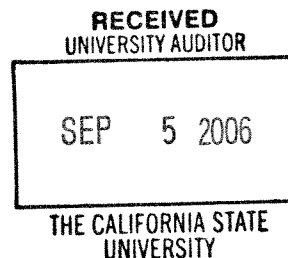


CALIFORNIA STATE UNIVERSITY, STANISLAUS

OFFICE OF THE VICE PRESIDENT FOR BUSINESS & FINANCE

August 31, 2006

Larry Mandel, University Auditor
Office of the Chancellor
401 Golden Shore
Long Beach, CA 90802-4210



Dear Larry:

The campus responses to the recent Delegations of Authority audit recommendations are enclosed. We appreciate the effort to make us aware of areas needing improvement in our delegations of authority processes and procedures, and assure you that all areas will be fully addressed over the next few months.

Any questions concerning the response should be directed to Becka Paulsen, Assistant Vice President for Financial Services, at (209) 667-3379 or via email at bpaulsen@stan.csustan.edu.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mary Stephens".

Mary Stephens
Vice President for Business and Finance

cc: President Shirvani
Assistant Vice President Paulsen

**DELEGATIONS OF AUTHORITY
CALIFORNIA STATE UNIVERSITY,
STANISLAUS**

**Report Number 06-16
August 3, 2006**

SPECIAL PURCHASING ISSUES

DISABLED VETERAN BUSINESS ENTERPRISE AND SMALL BUSINESS

Recommendation 1

We recommend that the campus assign a DVBE and small business coordinator and strengthen the controls surrounding the report preparation and review procedures.

Campus Response

We concur. The campus is in the process of hiring a new senior buyer and he/she will be assigned the DVBE and small business coordinator duties. The Director and staff are now more familiar with PeopleSoft reports and the PeopleSoft system forestalling future report inaccuracies. Copies of current year reports and verification of coordinator responsibilities will be forwarded by October 2006.

STATE AGENCY BUY RECYCLED CAMPAIGN

Recommendation 2

We recommend that the campus:

- a. Strengthen enforcement efforts to obtain required contractor certifications for the recycled content of commodity purchases.
- b. Develop a plan of action to improve compliance with prescribed legislative goals.

Campus Response

We concur. We will continue to follow up with vendors to obtain the contractor certification for recycled content. We will work with the Vice President of Business and Finance and the President to encourage use of recycled products. Verification of vendor follow up will be forwarded by October 2006.

SPECIFIC CONTRACT ISSUES

Recommendation 3

We recommend that the campus establish procedures to ensure that all service contracts over \$5,000 are reported to the DFEH.

Campus Response

We concur. Procedures are established outlining when and how service contracts are to be reported to DFEH. All service contracts over \$5,000 are now being reported to DFEH. We will send procedures and a copy of the most current report by October 2006.

PROCUREMENT OF SERVICES AND PERSONAL PROPERTY

AUTHORIZATION OF PURCHASES

Recommendation 4

We recommend that the campus strengthen procedures to ensure that purchase documentation is approved in accordance with campus policy.

Campus Response

We concur. Authorized approval limits have been raised for each buyer to better accommodate their purchasing authority. Procedures for reviewing purchase orders for proper approval will be established and implemented. A copy of the procedures and new approval limits will be forwarded by October 2006.

SERVICE PROVIDER INSURANCE REQUIREMENTS

Recommendation 5

We recommend that the campus strengthen procedures for the review and retention of required insurance documentation, including documentation of any exceptions following risk identification and evaluation, to ensure that all service providers have adequate insurance coverage in accordance with CSU requirements.

Campus Response

We concur. We will rewrite our procedures for the review and retention of required insurance documentation and include procedures for documenting exceptions to the general insurance coverage requirements. A copy of the procedures and the exceptions form will be sent by October 2006.

MOTOR VEHICLE INSPECTIONS AND USE

Recommendation 6

We recommend that the campus:

- a. Develop and fully implement comprehensive written policies and procedures for the motor vehicle inspection program in accordance with EO 691.
- b. Prepare an annual analysis of operating costs.
- c. Identify the individual responsible for the motor vehicle inspection program, delegate the responsibility to this individual, and notify the chancellor's office in accordance with EO 691.

Campus Response

- a. We concur. Facilities Maintenance and Operations will develop and fully implement a comprehensive written policies and procedures for the motor vehicle inspection program in accordance with EO 691 using approved policies and procedures developed by CSU campuses system-wide. The campus expects to complete the policies and procedures by January 1, 2007.
- b. We concur. Facilities Maintenance and Operations will prepare an annual analysis of operation costs using approved policies and procedures developed by CSU campuses system-wide. Facilities Services expects to complete the annual analysis by January 1, 2007.
- c. We concur. Facilities Services will identify the individual responsible for the motor vehicle inspection program, delegate the responsibility to this individual, and notify the Chancellor's office in accordance with EO 691 by September 1, 2006.

AGREEMENTS AND LEASES

Recommendation 7

We recommend that the campus:

- a. Obtain approval from the campus president or designee for the current rental fee schedule, establish procedures to maintain such approvals on a current basis, and ensure fees are charged in accordance with the schedule.
- b. Revise the campus facility use agreement to include the minimum standard provisions and language from the chancellor's office model lease agreement form CRL024 or consult with the Office of General Counsel.
- c. Obtain a delegation of authority for the approval of facility use agreements from the campus president or designee and implement procedures to maintain such delegation on a current basis.
- d. Finalize the *Facility Use Procedural Guidelines*, obtain management approval, and implement the policies and procedures.

Campus Response

- a. We concur. The current rental fee schedule will be in approved in writing by September 30, 2006. The rental fee schedule will be reviewed and approved in writing in August of each calendar year establishing any rental fee changes for the following calendar year. The Facility Scheduling Coordinators will adhere to the approved rental fee schedule. Any variance from the rental fee schedule for a specific event will be approved in writing by the campus president or designee and documentation will be attached to the facility rental agreement.
- b. We concur. A campus facility use agreement has been written using the CSU model lease agreement. It is in the process of being approved by appropriate campus personnel. It will be submitted for approval by the CSU Office of General Counsel by September 30, 2006.
- c. We concur. The appropriate delegation of authority has been issued for the approval of facility use agreements. A copy of this document will be forwarded by September 30, 2006. Keeping the delegation of authority current will be part of the job duties of the Facility Scheduling Office supervisor.
- d. We concur. The updated *Facility Policy and Facility Use Procedural Guidelines* are being reviewed by managing personnel. It will be submitted to the President for approval by September 30, 2006.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR



BAKERSFIELD

September 28, 2006

CHANNEL ISLANDS

CHICO

MEMORANDUM

DOMINGUEZ HILLS

EAST BAY

FRESNO

TO: Mr. Larry Mandel
University Auditor

FULLERTON

FROM: Charles B. Reed
Chancellor

HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 06-16 on *Delegations of Authority*,
California State University, Stanislaus

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

In response to your memorandum of September 28, 2006, I accept the response as submitted with the draft final report on *Delegations of Authority*, California State University, Stanislaus.

NORTHRIDGE

POMONA

CBR/jt

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Dr. Hamid Shirvani, President
Ms. Mary Stephens, Vice President for Business and Finance

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS