

DELEGATIONS OF AUTHORITY
CALIFORNIA STATE UNIVERSITY,
LOS ANGELES

Audit Report 06-21
January 11, 2007

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BOARD OF TRUSTEES
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ABBREVIATIONS

AB	Assembly Bill
BOT	Board of Trustees
CSU	California State University
CSULA	California State University, Los Angeles
DFEH	Department of Fair Employment and Housing
DVBE	Disabled Veteran Business Enterprise
EO	Executive Order(s)
PCC	Public Contract Code
PMCP	Policy Manual for Contracting and Procurement
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, Los Angeles campus from October 2, 2006, through October 27, 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 lack of controls over purchases of recycled materials, contract notification requirements, service provider insurance requirements, campus-owned vehicles, campus leasing of university facilities, and disposal of personal property 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]

Compliance with the state agency Buy Recycled campaign required improvement. 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 [8]

The Department of Fair Employment and Housing contract notification requirements were not met for 12 of the 17 contracts reviewed.

PROCUREMENT OF SERVICES [9]

Vendors did not always have adequate levels of insurance when performing services on campus. Five of 17 vendors reviewed lacked certain insurance requirements.

MOTOR VEHICLE INSPECTIONS AND USE [10]

The campus motor vehicle inspection program lacked most of the required elements and did not ensure adequate preventative maintenance for all campus vehicles. For example, an annual analysis of operating costs was not performed and documentation could not be provided by the campus for repairs performed at commercial repair shops or that vehicle inspector approval was given for repairs if parts exceeded \$350. In addition, the campus was unable to provide documentation indicating that drivers of university-owned vehicles completed a trip/daily operator checklist to inspect the vehicle prior to driving it.

AGREEMENTS AND LEASES [13]

The short-term leases of state facilities to off-campus groups did not always contain insurance coverage in compliance with California State University (CSU) requirements. Six of 20 leases reviewed lacked certain insurance requirements.

PROPERTY [14]

Disposal of personal property did not comply with CSU and campus policy. A review of five vehicle disposals disclosed that two were sold and/or disposed of without the approval of the property survey board or property management office.

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 1191 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 September 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

Compliance with the state agency Buy Recycled campaign required improvement.

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 12.3%, 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 *California State University (CSU) Policy Manual for Contracting and Procurement (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 director of procurement and contracts stated that the buyers followed-up with contractors for the certification, but they still did not send it. He further stated that according to the *CSU PMCP*, the campus does not purchase recycled products when they exceed the cost of non-recycled materials.

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

Recommendation 1

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

- a. Recycled product buying instructions have been sent to all buyers. The instructions included obtaining and filing of recycled product certifications.
- b. The recycled product buying instructions (a. above) included instructions for buyers to review and execute recycled product buying opportunities.

SPECIFIC CONTRACT ISSUES

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

Our review of 17 contracts that required DFEH contract notification disclosed that notification had not been made for 12 of the contracts.

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.

California Code of Regulations Title 2 §8117.5, *Fair Employment and Housing Commission*, states, in part, that contract awarding agencies shall give written notice to the administration of all contracts over \$5,000.

The director of procurement and contracts stated that the majority of contracts not filed with the DFEH were auxiliary or other governmental agencies and the campus was unaware they had to report those transactions.

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 2

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

Campus Response

Updated DFEH reporting requirements and procedures have been sent to all buyers.

PROCUREMENT OF SERVICES

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

Our review of 17 services where the vendor provided the service on campus during fiscal year 2005/06 revealed the following:

- ▶ Two certificates did not extend through the contract period or had expired prior to the commencement of work.
- ▶ One certificate listed no worker's compensation insurance as required by California state law.
- ▶ Documentation could not be provided by the campus for two vendors.

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

The director of procurement and contracts stated that the insurance requirements were consistently included in contracts. However, as indicated by the findings, there were some isolated instances of buyer oversight where some provisions were overlooked.

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

Recommendation 3

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

Updated insurance requirements and recordkeeping procedures have been sent to all buyers.

MOTOR VEHICLE INSPECTIONS AND USE

MOTOR VEHICLE INSPECTION PROGRAM

The campus motor vehicle inspection program lacked most of the required elements and did not ensure adequate preventative maintenance for all campus vehicles.

We found that:

- ▶ The program references EO 371 that was replaced by EO 691 and did not include detailed support procedures for maintenance, repair, and replacement; coordination of equipment needs and reutilization of surplus vehicles; a designated liaison with equipment manufacturers; a complete and accurate record of all repair costs; and assistance in technical studies and reports, as required.
- ▶ An annual analysis of operating costs was not performed.
- ▶ Required preventative maintenance was not performed on a regular basis. Our review of preventative maintenance for 16 vehicles during calendar years 2005 and 2006 disclosed that six did not have the required maintenance, of which five did not have any maintenance.
- ▶ Preventative maintenance was not performed on carts.
- ▶ Documentation could not be provided by the campus for repairs performed at commercial repair shops or that vehicle inspector approval was given for repairs, if any, when the parts exceeded \$350.

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. These guidelines include, in part, an annual analysis of operating costs, an evaluation process for reutilization of surplus vehicles, maintenance policies, and a review process for repair estimates and invoices.

The California State University, Los Angeles (CSULA) Administrative Procedure 500, section 6.3 states that the plant operation vehicle inspector will:

- ▶ Conduct pre-delivery, periodic safety/preventative maintenance, repair, and survey inspections of all vehicles.
- ▶ Maintain and repair vehicles.
- ▶ Notify departments responsible for electric carts of the maintenance/safety inspection requirements.

Further, section 7.2.2 of the CSULA Administrative Procedure 500 states that plant operations will perform a safety inspection on all vehicles every 12,000 miles or annually, whichever comes first, and document inspection results on the 12,000 miles safety inspection and preventative maintenance form and inform user departments when electric carts are scheduled for inspection and maintenance. In addition, plant operations will monitor department compliance with inspection instructions and submission forms.

The CSULA Administrative Procedure 500, section 6.2.4 states that the director of plant operations will maintain records of all estimates and invoices related to vehicle maintenance and repairs for post-audit purposes and for reporting saving and cost effectiveness of the program. Further, section 6.3.1 states the plant operations vehicle inspector will authorize vehicle repairs and section 7.2.5 states that for repairs made at a commercial repair shop, the director of plant operations will:

- ▶ Obtain three estimates, one of which should be from an authorized dealer for the make involved. If three estimates are not obtained, the director shall provide an explanation in the vehicle repair file.
- ▶ Review repair invoices, which exceed the amount of the estimates prior to submission to the controller's office.
- ▶ Submit invoices for vehicle repairs to the controller's office with the approved estimate attached.

The *CSU Use of University and Private Vehicles Policy Guidelines*, dated March 2002, states that for commercially performed repairs which will cost \$350 or more, three estimates must be obtained. Further, the campus vehicle inspector's approval is required on any repair where the parts costs exceed \$350.

The director of facilities services stated that his department was unaware that certain activities needed to be performed.

Failure to ensure that the motor vehicle inspection program is fully implemented and prescribed preventative maintenance is performed increases the risk that the overall safety, efficiency, and economic well-being of the campus motor vehicles will not be maintained.

Recommendation 4

We recommend that the campus:

- a. Update the motor vehicle inspection program.
- b. Prepare an annual analysis of operating costs.
- c. Strengthen controls over vehicle maintenance, including required estimates and approvals for repairs costing \$350 or more.

Campus Response

- a. The motor vehicle inspection internal procedures have been revised.
- b. Facilities services has implemented procedures to modify its cost categories to capture all motor vehicle operating costs.
- c. The required estimates and approvals for repairs costing \$350 or more were included in the revised motor vehicle inspection procedures (a. above).

VEHICLE USE CONTROLS

The campus was unable to provide documentation indicating that drivers of university-owned vehicles completed a trip/daily operator checklist to inspect the vehicle prior to driving it.

The CSULA Administrative Procedure 500, section 6.7 states the equipment and vehicle operators will perform a visual check of the vehicle prior to operation and complete the trip/daily operator checklist form to note any items needing attention.

The *CSU Use of University and Private Vehicles Policy Guidelines*, dated March 2002, states, in part, that the operator of a vehicle has an obligation to inspect the vehicle before driving it. Problems noticed by the operator while using the vehicle should be noted on a trip/daily operator checklist, which should be kept in the vehicle.

The director of facilities services stated that this was an oversight.

Failure to inspect the vehicle prior to driving it increases the risk of maintenance failure/accident.

Recommendation 5

We recommend that the campus implement procedures to ensure the trip/daily operator checklist is completed prior to driving university-owned vehicles.

Campus Response

The revised motor vehicle inspection procedures included a mechanism to ensure that the trip/daily operator checklist is completed prior to driving university-owned vehicles.

AGREEMENTS AND LEASES

The short-term leases of state facilities to off-campus groups did not always contain insurance coverage in compliance with CSU requirements.

Our review of 20 leases of state facilities to off-campus groups in fiscal year 2005/06 revealed that six did not have all the insurance requirements. We noted that:

- ▶ One insurance certificate provided for 10 days advance written notice of cancellation versus 30 days.
- ▶ Two insurance certificates did not name the State of California, the Trustees of the CSU, the campus and the officers, employees, volunteers and agents of each of them as additional insureds.
- ▶ The campus did not check AM Best for the acceptability of insurers rating. Three insurance carriers had an AM Best rating of A- vs. A or higher.

EO 849, *California State University Insurance Requirements*, dated February 5, 2003, provides for specific insurance coverage related to the leasing of state facilities and states that insurance requirements should be commensurate with the activities associated with the lease that may cause damage to person or property.

The *CSU PMCP* §230 states, in part, all certificates of insurance issued to the university require the following:

- ▶ Provide for Acceptability of Insurers rating, AM Best – AVII or equivalent unless otherwise agreed to by the university.
- ▶ Name the State of California, the Trustees of the CSU, the campus and the officers, employees, volunteers and agent of each of them as additional insured, except for professional liability and worker's compensation insurance.

The special assistant to the vice president of administration and finance stated that this was an oversight and measures have since been put in place to tighten the review process.

Inadequate controls over the leasing of state facilities increases the risk of uninsured damage to university property.

Recommendation 6

We recommend that the campus strengthen procedures to ensure that proof of insurance coverage documents are in compliance with CSU requirements.

Campus Response

Measures were taken during the audit effective October 2006, to tighten the review process and ensure continued communication with risk management on potential concerns. AM Best ratings are being checked for all leases.

PROPERTY

Disposal of personal property did not comply with CSU and campus policy.

Our review of five vehicle disposals disclosed that two were sold and/or disposed of by one campus department without the approval of the campus property survey board or property management office.

CSULA Administrative Procedure 509, section 4.4 states that departments may not trade-in, donate, or transfer state-owned property to off-campus agencies without prior approval of the property management office.

The *CSU PMCP* §603 states that a campus vehicle may be discarded, traded in, or sold whenever the campus determines it is within its best interests to do so, regardless of age or mileage, or at such time as the vehicle has been determined to be unsafe for continued use, or when it no longer serves the purpose for which it was acquired.

State Administrative Manual §3520.2 states that each agency will have a duly appointed property survey board that is responsible for determining that, when disposing of surplus property, the decision to do so serves the best interest of the state. To the extent possible, there will be a sufficient number of members on the board to insure representation by both business management and program responsibilities. At least two board members must approve all property survey reports (STD. 152) and all transfers of location of equipment (STD. 158).

The property management supervisor stated that her staff was unaware that the vehicles had been disposed.

Failure to obtain property survey board or property management office approval for personal property dispositions reduces accountability over the disposal of state property and increases the risk of theft or loss of state property.

Recommendation 7

We recommend that the campus strengthen property disposal controls to ensure that the property survey board and property management office are aware of and approve all disposals.

Campus Response

A reminder has been sent to all vice presidents and division fiscal officers to follow existing procedures and contact property management for property disposal.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
James M. Rosser	President
Craig Bell	Operations Manager
Kevin Brady	Director of Risk Management
Jill Carnahan	Special Assistant to the Vice President, Administration and Finance
John Farris	Director, Facilities Services
Steven Garcia	Vice President, Administration and Finance/Chief Financial Officer
Tanya Ho	University Internal Auditor
Thomas Johnson	Director, Procurement and Contracts
Yuet Lee	Assistant Vice President, Administration and Finance
Thomas Leung	University Controller
Mitra Nasri	Supervisor, Property Management



CALIFORNIA STATE UNIVERSITY, LOS ANGELES

OFFICE OF THE PRESIDENT

RECEIVED
UNIVERSITY AUDITOR

FEB 8 2007

THE CALIFORNIA STATE
UNIVERSITY

February 9, 2007

Mr. Larry Mandel, University Auditor
Office of the University Auditor
Office of the Chancellor – The California State University
401 Golden Shore, 4th Floor
Long Beach, CA 90802-4210

Re: *University's Response to Recommendations Contained in Report Number 06-21
Delegations of Authority - CSULA*

Dear Mr. Mandel:

Attached is the University's response to the recommendations contained in Report Number 06-21,
Delegation of Authority.

Please contact Tanya Ho, Interim University Internal Auditor, at (323) 343-5102, if you wish to discuss any
matter contained herein.

Sincerely,

A handwritten signature in black ink, appearing to read "James M. Rosser".

James M. Rosser
President

Attachments

cc: (with attachments)
Steven N. Garcia, Vice-President for Administration and Chief Financial Officer
Yuet Lee, AVP for Administration and Finance
Tanya Ho, Interim University Internal Auditor

**DELEGATIONS OF AUTHORITY
CALIFORNIA STATE UNIVERSITY,
LOS ANGELES**

**Audit Report 06-21
January 11, 2007**

SPECIAL PURCHASING ISSUES

Recommendation 1

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

- a. Recycled product buying instructions have been sent to all buyers. The instructions included obtaining and filing of recycled product certifications.
- b. The recycled product buying instructions (a. above) included instructions for buyers to review and execute recycled product buying opportunities.

SPECIFIC CONTRACT ISSUES

Recommendation 2

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

Campus Response

Updated DFEH reporting requirements and procedures have been sent to all buyers.

PROCUREMENT OF SERVICES

Recommendation 3

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

Updated insurance requirements and recordkeeping procedures have been sent to all buyers.

MOTOR VEHICLE INSPECTIONS AND USE

MOTOR VEHICLE INSPECTION PROGRAM

Recommendation 4

We recommend that the campus:

- a. Update the motor vehicle inspection program.
- b. Prepare an annual analysis of operating costs.
- c. Strengthen controls over vehicle maintenance, including required estimates and approvals for repairs costing \$350 or more.

Campus Response

- a. The motor vehicle inspection internal procedures have been revised.
- b. Facilities Services has implemented procedures to modify its cost categories to capture all Motor Vehicle Operating Costs.
- c. The required estimates and approvals for repairs costing \$350 or more were included in the revised motor vehicle inspection procedures in a. above.

VEHICLE USE CONTROLS

Recommendation 5

We recommend that the campus implement procedures to ensure the trip/daily operator checklist is completed prior to driving university-owned vehicles.

Campus Response

The revised motor vehicle inspection procedures included a mechanism to ensure that the trip/daily operator checklist is completed prior to driving university-owned vehicles.

AGREEMENTS AND LEASES

Recommendation 6

We recommend that the campus strengthen procedures to ensure that proof of insurance coverage documents are in compliance with CSU requirements.

Campus Response

Measures were taken during the audit effective October 2006, to tighten the review process and ensure continued communication with Risk Management on potential concerns. AM Best ratings are being checked for all leases.

PROPERTY

Recommendation 7

We recommend that the campus strengthen property disposal controls to ensure that the property survey board and property management office are aware of and approve all disposals.

Campus Response

A reminder has been sent to all Vice Presidents and Division Fiscal Officers to follow existing procedures and contact Property Management for property disposal.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR



BAKERSFIELD

February 23, 2007

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 Audit Report 06-21 on *Delegations of Authority*,
California State University, Los Angeles

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

In response to your memorandum of February 23, 2007, I accept the response as submitted with the draft final report on *Delegations of Authority*, California State University, Los Angeles.

NORTHRIDGE

POMONA

CBR/jt

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Ms. Tanya Ho, University Internal Auditor
Dr. James M. Rosser, President

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS

24/5