

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

**Audit Report 11-23**  
**May 5, 2011**

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**BOARD OF TRUSTEES**  
**THE CALIFORNIA STATE UNIVERSITY**

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## **ABBREVIATIONS**

AB	Assembly Bill
BOT	Board of Trustees
CO	Office of the Chancellor
CRL	Contract Resource Library
CSU	California State University
CSUC	California State University, Chico
DMV	Department of Motor Vehicles
DVBE	Disabled Veteran Business Enterprise
EC	Education Code
EHS	Environmental Health and Safety
EO	Executive Order
GC	Government Code
ICSUAM	Integrated California State University Administrative Manual
LUPER	Land Use Planning and Environmental Review
PMCP	Policy Manual for Contracting and Procurement
SAM	State Administrative Manual
SB	Senate Bill
SUAM	State University Administrative Manual

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## **EXECUTIVE SUMMARY**

The Board of Trustees, at its January 2011 meeting, directed that Delegations of Authority be reviewed. The Office of the University Auditor had previously reviewed Delegations of Authority in 2006.

We visited the California State University, Chico campus from February 1, 2011, through March 4, 2011, and audited the procedures in effect at that time.

Our study and evaluation revealed certain conditions that, in our opinion, could result in significant errors and irregularities if not corrected. Specifically, the campus did not maintain adequate internal control over the following area: motor vehicle inspections and use. These conditions, along with other weaknesses, are described in the executive summary and body of this report. In our opinion, except for the effect of the weaknesses described above, the operational and administrative controls for delegated activities related to procurement and contracting, motor vehicle inspections, and personal property transactions in effect as of March 4, 2011, taken as a whole, were sufficient to meet the objectives stated in the "Purpose" section of this report.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

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.

### **PROCUREMENT AND CONTRACTING ACTIVITIES [7]**

The campus did not have comprehensive written policies and procedures for direct payments. In addition, the delegation of authority to buyers for the acquisition of personal property, services, public works construction, and leases of real property was not properly executed. Also, campus procurement card procedures were not always adequately enforced. Finally, the campus did not always conduct Disabled Veteran Business Enterprise solicitations in accordance with systemwide procedures.

### **MOTOR VEHICLE INSPECTIONS AND USE [10]**

The campus motor vehicle inspection program lacked some required elements and did not assure adequate preventive maintenance. Also, the campus motor vehicle program did not ensure compliance with all campus and California State University policies and procedures for the use of state-owned vehicles.

### **LEASE ADMINISTRATION [14]**

Administration of short-term leases of campus facilities needed improvement. For example, campus policies for facilities use had not been updated since July 1997, and there was no evidence that the president or designee had approved the associated rate schedule of fees charged.

### **REAL AND PERSONAL PROPERTY TRANSACTIONS [16]**

Administration of real property transactions needed improvement. Specifically, the campus did not document the individual(s) with authority to sign easement, right-of-way, and quitclaim transactions, nor did it notify the chancellor's office of two quitclaim transactions for processing and approval.

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## INTRODUCTION

### **BACKGROUND**

In 1986, Senate Bill (SB) 1828 indefinitely extended California State University (CSU) delegations of authority concerning certain procurement 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. SB 1828 also added section 89045(d) to the Education Code (EC):

(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 EC and Section 11007.7 of the Government Code (GC).

EC §89031.5 requires the inspection of all motor vehicles owned by the CSU. Executive Order (EO) 691, *Motor Vehicle Inspections*, dated November 23, 1998, 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 the campuses to notify the Office of the Chancellor (CO) of the individual assigned to the function. CSU policy concerning the use of motor vehicles is codified in *CSU Use of University and Private Vehicles Policy Guidelines*, dated March 2002, issued via Technical Letter 2002-16 from the CO Human Resources department.

EC §89036 grants the CSU authority over certain procurement and contracting activities. EO 775, *Acquisition of Personal Property and Services*, dated June 6, 2001, updates and supersedes prior EOs dating back to 1994 and delegates the procurement authority granted to the CSU under AB 1191 to campus presidents, within the provisions of the *CSU Policy Manual for Contracting and Procurement* (PMCP). EO 760, *Procurement Cards*, dated October 16, 2000, delegates authority for the use of procurement cards to campus presidents.

PMCP, last updated on April 28, 2008, was recently codified in the *Integrated California State University Administrative Manual* (ICSUAM), Section 5000, *Contracts and Procurement*. The ICSUAM establishes systemwide contracting and procurement policy and provides guidance on general procurement practices, along with specific requirements relating to the procurement of goods, services, and information technology resources. Any future updates to contracting policy will be incorporated into the ICSUAM.

EC §89046 granted the CSU the authority to lease state university property for purposes consistent with the functions of the CSU. EO 669, *Leases*, dated May 1, 1997, supersedes an EO issued in 1983. It delegates to campus presidents the authority to execute leases of real property as either lessor or lessee without approval by the CO, subject to certain limitations. The EO requires the use of standard provisions from model lease agreements, an assessment of liability risk for each lease agreement, a competitive process for leasing state university property to for-profit enterprises, an accounting of leases in the campus financial records, and maintenance of a central repository for all current lease agreements.

EC §89048 addresses a number of areas, including certain real property transactions and the sale or exchange of personal property. State University Administrative Manual §9018, *Acquisition and*

*Granting of Easements and Acceptance of Quitclaims*, sets forth processing guidelines and responsibilities for such real property transactions by the campuses and by the land records staff in the CO Capital Planning, Design and Construction department.

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

GC §11007.7 addresses the procurement of insurance or official bonds. However, this section is not applicable to insurance procured by the CSU. CSU policy for insurance is codified by EO 849, *CSU Insurance Requirements*, dated February 5, 2003. It sets forth minimum insurance limits and holds harmless provisions for agreements, contracts, and purchases.

## **PURPOSE**

Our overall audit objective was to ascertain the effectiveness of delegated activities related to procurement and contracting, motor vehicle inspections, and real and personal property transactions and to determine the adequacy of controls over 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 of procurement activities incorporates effective internal controls, adequate local policies and operational procedures, current written delegations, and observance of good business practices in compliance with CSU policy.
- ▶ CSU competitive bidding requirements are adhered to in the procurement of goods and services, and CO approval is received prior to the purchase of restricted items.
- ▶ The responsibility for the execution of low-value purchases is properly delegated and methods for such execution are adequately controlled, and campus use of procurement cards is appropriate.
- ▶ Efforts are made to meet Small Business, Disabled Veteran Business Enterprise (DVBE), and Buy Recycled goals; purchasing preferences are properly granted; and Small Business, DVBE, 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 the use of CSU-owned vehicles comply with CSU policies, and a vehicle inspector has been designated.
- ▶ Leasing activities are adequately controlled and comply with CSU policy and state regulations, and leases are properly executed.
- ▶ Easements, rights-of-way, and quitclaims have been correctly acquired, and the sale or exchange of personal property complies with CSU policy and the EC.

## **SCOPE AND METHODOLOGY**

The proposed scope of the audit as presented in Action Item, Agenda Item 2 of the January 25 and 26, 2011, meeting of the Committee on Audit stated that a review of Delegations of Authority would include, but was not limited to, a review of certain purchasing and contracting activities; motor vehicle inspections and use; agreements and leases; easements, rights-of-way, and quitclaim transactions; and the sale and exchange of personal property. Delegations of Authority is a mandated audit and is required by the EC 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 whether operational and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor and campus policies, letters, and directives. The audit focused on procedures in effect from July 1, 2008, through March 4, 2011.

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 and contracting activities, delegations, and limitations.
- ▶ Bidding procedures and exceptions.
- ▶ Low-value purchase methods and controls.
- ▶ Granting of purchase preferences.
- ▶ Preparation of Small Business, DVBE, and Buy Recycled reports and goal attainment.
- ▶ Execution of lease agreements.
- ▶ Motor vehicle inspection and use policies and controls.
- ▶ Easements, rights-of-way, and quitclaims and the sale or exchange of personal property.

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## **OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES**

### **PROCUREMENT AND CONTRACTING ACTIVITIES**

#### **DIRECT PAYMENTS**

The campus did not have comprehensive written policies and procedures for direct payments.

Integrated California State University Administrative Manual (ICSUAM) §5227.0, *Direct Payments*, states that direct payments may be made for those types of commitments/obligations for which little or no value can be added by processing the transaction through the standard procurement procedures. Further, campuses are responsible for establishing local policies that identify types and dollar thresholds for transactions authorized for direct payments and associated procedures for exception processing. Examples of direct payments may include but are not limited to public utilities, room rentals, rebates and reimbursements, books, subscriptions, publications, registration fees, and membership dues.

The director of procurement and contract services, risk management, and real estate stated that accounts payable personnel processed direct payments based on guidelines discussed verbally with procurement and contract services, but documentation of the guidelines could not be located.

Failure to maintain comprehensive policies and procedures for amounts and types of direct payment purchases increases the risk that excessive or inappropriate purchases could be made without the protection of purchase order standard terms and conditions.

#### **Recommendation 1**

We recommend that the campus develop and implement comprehensive written policies and procedures for direct payments.

#### **Campus Response**

We concur. Procurement and contract services, in conjunction with accounting operations/accounts payable, has developed a comprehensive written policy along with procedures for direct payments on campus.

Completed: February 21, 2011

### **DELEGATIONS OF AUTHORITY**

The delegation of authority to buyers for the acquisition of personal property, services, public works construction, and leases of real property was not properly executed.

We found that only the director of procurement and contract services, risk management, and real estate had been given formal authority by the campus president to further delegate signature authority

to buyers. However, the delegation to buyers was executed by the assistant vice president for financial services as of July 1, 2009, and by the vice president for business and finance as of February 19, 2010.

Executive Order (EO) 775, *Acquisition of Personal Property and Services*, dated June 6, 2001, delegates the authority to acquire personal property and services where applicable California State University (CSU) requirements have been followed to the president of each campus or designee.

The director of procurement and contract services, risk management, and real estate stated that the delegation of authority to buyers was not properly executed due to oversight.

Failure to properly delegate purchasing and contracting authority increases the risk of unauthorized or inappropriate purchases and contracts.

### **Recommendation 2**

We recommend that the campus update its delegation of authority to buyers so that it is properly executed in accordance with the president's directive.

### **Campus Response**

We concur. The delegation of authority form has been properly executed.

Completed: January 18, 2011

## **PROCUREMENT CARD PROGRAM**

Campus procurement card procedures were not always adequately enforced.

We reviewed purchases for ten procurement card users for the months of August, September, and October 2010, and we found that:

- ▶ Eleven items requiring inventory tags had not been tagged or recorded in the property system. Eight of these items had a value of less than \$500 but met the criteria of being prone to loss and theft, and three items had a value greater than \$500.
- ▶ One procurement card statement was authorized by an individual who was a subordinate of the purchaser.

The California State University, Chico (CSUC) *Procurement Credit Card Program Policy and Procedures*, dated November 2010, states that items with a value of \$500 or greater must be tagged with property barcode labels and recorded in the inventory system. Furthermore, items prone to loss and theft (regardless of the purchase price) must also be tagged and recorded in the inventory system.

The CSUC *Financial Services Authorized Signature Form* states that the procurement credit card “approving official” must be a higher authority than the cardholder.

EO 760, *Procurement Cards*, dated October 16, 2000, states that a cardholder’s approving official may not be a subordinate or peer.

The property manager stated that the items were not tagged because the property management office was not notified of the purchases. The director of procurement and contract services, risk management, and real estate stated that the individual who authorized the statement did so because the assigned approver was unavailable, even though this was a violation of policy.

Insufficient control over the accountability of equipment increases the risk of misstated property records and theft, loss, or unauthorized use of state property, and insufficient control over the authorization of procurement card expenditures increases the risk of loss from inappropriate acts.

### **Recommendation 3**

We recommend that the campus enforce procurement card procedures to ensure that:

- a. Equipment assets with a value greater than \$500 and/or considered to be prone to loss and theft are tagged and recorded to the property system.
- b. Only authorized personnel approve procurement card purchases.

### **Campus Response**

We concur. All procurement and contract services staff received additional training on the procurement card program for statement audits.

- a. Audit of procurement card statements includes review for equipment assets, appropriateness of purchase, and adherence to the policy. Property will be notified of any equipment assets purchased with a procurement card with a value greater than \$500 in conjunction with the audit process.
- b. Audit of procurement card statements includes verification of authorized personnel signatures for approval of purchases.

Completed: May 13, 2011

## **DISABLED VETERAN BUSINESS ENTERPRISE PARTICIPATION**

The campus did not always conduct Disabled Veteran Business Enterprise (DVBE) solicitations in accordance with systemwide procedures.

We reviewed six competitively bid transactions and found two cases in which DVBE waivers were not documented when DVBE participation was not required.

ICSUAM §5215.0, *DVBE Participation Goals*, states, in part, that the state has established a DVBE contracting participation goal of three percent and that this goal applies to the total contract dollars expended each year including all contracts, purchase orders, and procurement card orders. It further states that the DVBE participation requirement applies to all competitive solicitations regardless of solicitation format or dollar value, and that the DVBE advocate, campus DVBE coordinator, or designee has the responsibility to evaluate requests for DVBE waivers for solicitations.

The director of procurement and contract services, risk management, and real estate stated that DVBE waivers were not documented because there was no procedure in place requiring formal documentation and she was unaware that the requirement applied to informal bids.

Failure to properly document DVBE waivers increases the risk of non-compliance with CSU policy and state legislation.

#### **Recommendation 4**

We recommend that the campus document DVBE waivers for competitively bid transactions in cases where it is determined that DVBE participation is not required.

#### **Campus Response**

We concur. An internal DVBE waiver form will be developed for use in all competitively bid solicitations where the DVBE requirement is waived.

Estimated completion date: September 1, 2011

## **MOTOR VEHICLE INSPECTIONS AND USE**

### **MOTOR VEHICLE INSPECTION PROGRAM**

The campus motor vehicle inspection program lacked some required elements and did not assure adequate preventive maintenance.

We found that:

- ▶ Although campus policy required maintenance service every 6,000 miles or six months, whichever came first, there was no procedure in place to consistently record and monitor mileage to determine when a vehicle reached 6,000 miles of use. Rather, campus practice called for the performance of maintenance service every six months.

- ▶ Campus policies did not include the required service interval based on hours of use, and hours of use were not consistently recorded in maintenance records.
- ▶ Campus policies did not require written approval by the vehicle inspector when parts costs exceeded \$350.
- ▶ Of the 25 vehicles we reviewed, eight did not receive the required maintenance every six months.

The CSUC *Motor Vehicle Inspection Program*, dated November 16, 2002, states that in order to guarantee the maximum useful life of state-owned vehicles, a maintenance service is required every 6,000 miles or six months, whichever comes first.

The CSU *Use of University and Private Vehicles Policy Guidelines*, dated March 2002, states that the campus vehicle inspector's approval is required on any repair where the parts costs exceed \$350 or when replacement of a vehicle may be a consideration.

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, maintenance, repair and replacement policies, and detailed support procedures.

The lead automotive mechanic stated that inconsistent tracking of mileage and undocumented procedure elements were due to oversight and lack of familiarity with CSU policies. He further stated that maintenance schedules were not always adhered to for a variety of reasons, such as departments not producing vehicles when requested, or oversight.

Failure to follow CSU and campus policies for repairs and maintenance of state-owned vehicles increases the risk of unnecessary repair costs, unauthorized activities, and poorly maintained motor vehicles and may negatively impact driver safety.

### **Recommendation 5**

We recommend that the campus:

- a. Develop and implement a procedure to consistently record and monitor mileage to determine when a vehicle reaches 6,000 miles of use.
- b. Revise campus policies to include a service interval based on hours of use, and ensure that hours of use are consistently recorded in maintenance records.
- c. Revise campus policies to require written approval by the vehicle inspector when parts costs exceed \$350.

- d. Provide all campus vehicles with the full scope of preventive maintenance required by campus policy.

### **Campus Response**

We concur.

- a. Existing procedures are based on six-month intervals regardless of miles of use, since most departments are not currently maintaining logs. Additional procedures will be implemented in conjunction with Recommendation 6e to record and monitor usage and perform maintenance at 6,000 miles of use or six-month intervals, whichever occurs first.
- b. For vehicles that have factory-installed hour meters (no odometer), campus procedures will be revised to include hours of use based on manufacturer recommendations of hourly usage or six-month intervals, whichever occurs first.
- c. Informal implementation and verbal communication of campus policy to require written approval by the vehicle inspector when parts costs exceed \$350 has been made, including the purchase and use of an “approved” stamp. Written campus procedures are being revised to include this policy.
- d. Updating campus procedures regarding maintenance intervals and logs will ensure all campus vehicles are provided with the full scope of preventive maintenance required by campus policy. A new task code has been placed in TMA (FMS job-tracking software) to better track the maintenance and provide formal documentation.

Estimated completion date: October 1, 2011

### **MOTOR VEHICLE USE**

The campus motor vehicle program did not ensure compliance with all campus and CSU policies and procedures for the use of state-owned vehicles.

We reviewed the use of campus-owned vehicles for 20 drivers and found that:

- ▶ Written approval to operate the vehicle was not obtained for any of the drivers reviewed.
- ▶ Driver certification statements regarding the possession of a valid California driver’s license and the number of moving violations and accidents the driver had were not on file for seven individuals.
- ▶ Department of Motor Vehicles (DMV) records had not been checked in the past four years for 18 individuals.
- ▶ Defensive-driver training had either not been performed or had expired for five individuals.

- ▶ Campus policies did not require departments with custody of university-owned vehicles to develop and implement a documented method to control and monitor the use of the vehicles, and vehicle logs were not in use for 14 individuals reviewed. We also found, in our review of 25 vehicles, that trip/daily operator checklists were not in use.

The *CSU Use of University and Private Vehicles Policy Guidelines*, dated March 2002, states, in part, that the campus must establish one point of control in order to control usage of university vehicles and to verify and maintain all required logs. These guidelines further state that the campus control office must determine that the following criteria are met before releasing a university vehicle to an employee: Written approval of the use has been given by an individual authorized by the president to grant such approval; employee certification regarding possession of a valid driver's license and driving record is obtained; the campus has requested a copy of the person's driving record from the DMV at least once every four years; and the person has satisfactorily completed a CSU-approved defensive-driving course and maintains a good driving record. Additionally, 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 interim director of environmental health and safety stated that approval to drive state-owned vehicles was not documented because there was no procedure in place to require it. He further stated that DMV records were only being checked for drivers with commercial licenses. Finally, he stated that missing driver certifications, missing or expired defensive-driver training records, and missing mileage logs were due to inadequate monitoring by responsible parties in the departments.

Failure to adequately control the use of university-owned vehicles increases the risk of exposure to unforeseen liabilities and unqualified drivers and the use of vehicles for unauthorized activities.

### **Recommendation 6**

We recommend that the campus:

- a. Obtain written authorization for vehicle use from the campus' delegated official before a vehicle is released to an employee.
- b. Obtain certification statements from all employees who use university-owned vehicles regarding their driving record and possession of a valid driver's license.
- c. Check DMV records at least once every four years for drivers of university-owned vehicles.
- d. Ensure that all drivers of university-owned vehicles attend defensive-driver training at least once every four years.
- e. Require all departments with custody of university-owned vehicles to develop and implement a method to control and monitor the use of state-owned vehicles by employees, and require the use of vehicle logs and trip/daily operator checklists.

### **Campus Response**

We concur.

- a. The campus will delegate an official to oversee all aspects of campus motor vehicle use who will ensure written authorization has been provided for vehicle use before a vehicle is released to an employee.
- b. Certification statements will be obtained from all employees on at least an annual basis.
- c. Risk management and human resources are currently working on an interface and process to check DMV records electronically at least every four years for drivers of university-owned vehicles. Campus procedures will be developed to notify staff and/or faculty of any driving restrictions based on DMV record checks.
- d. Campus procedures have been revised to ensure all drivers of university-owned vehicles attend defensive-driver training at least once every four years. The campus has implemented procedures to notify staff/faculty 30 days in advance of expiration of defensive-driver training certification. Additionally, a link has been created on the environmental health and safety (EHS) website so staff/faculty can check their own training records. EHS is using the CSU Chico Learning Management System to upload records and track training status.
- e. All departments with custody of university-owned vehicles will develop and implement methods specific to their department to control and monitor use of state-owned vehicles by employees, including use of logs and checklists.

Estimated completion date: October 1, 2011

### **LEASE ADMINISTRATION**

Administration of short-term leases of campus facilities needed improvement.

We found that:

- ▶ Campus policies for facilities use had not been updated since July 1997, and there was no evidence that the president or designee had approved the associated rate schedule of fees charged.
- ▶ The campus did not always obtain executed facility lease agreements, additional insured endorsements, or signed approval by the campus' delegated authorizer when processing short-term leases of campus facilities.

State Administrative Manual (SAM) §20050 states that the elements of a satisfactory system of internal accounting and administrative controls include, but are not limited to, an effective system of

internal review, and further states that symptoms of control deficiencies may include policy and procedural or operational manuals that are either not currently maintained or are non-existent.

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 (CO). The CO 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.

ICSUAM §5230.03 states that evidence of insurance is required for any campus or auxiliary organization contract involving any activity that puts the state, the CSU, or the campus at risk. It provides minimum insurance requirements and indemnification provisions for agreements involving campus facilities and property leases. It further states that when insurance is required, vendors must be required to show evidence of insurance coverage by furnishing a certificate or certificates of insurance that include additional insured endorsements that meet specific requirements, including naming the State of California, the Trustees of the CSU, and the campus as additional insureds.

The director of student financial services and special assistant to the vice president of business and finance stated that a revised facility leasing policy, which included fees, was drafted in 2004 but was never completed and approved by the campus president. The campus risk manager stated his belief that lease agreements were not required when off-campus groups were sponsored by a campus department. He further stated that he waived additional insured requirements based on his evaluation of risk, but did not formally document the waiver.

Inadequate controls over the leasing of state facilities increases the risk of inappropriate rentals, unapproved and unsupportable fees, and uninsured damage to university property.

### **Recommendation 7**

We recommend that the campus:

- a. Update the campus facility leasing policy and obtain approval from the president or designee for the associated rate schedule of fees charged.
- b. Obtain executed facility lease agreements, additional insured endorsements, and signed approval by the campus' delegated authorizer when processing short-term leases of campus facilities.

### **Campus Response**

We concur.

- a. Procedures and the associated rate schedule of fees charged are in process of update for approval from the president and campus implementation.
- b. Executed facility lease agreements, additional insured endorsements, and signed approval will be obtained by the campus' delegated authorizer for short-term lease of campus facilities, including written waiver of additional insured requirements when appropriate based on the risk manager's evaluation of risk.

Estimated completion date: November 5, 2011

### **REAL AND PERSONAL PROPERTY TRANSACTIONS**

Administration of real property transactions needed improvement.

We noted that:

- ▶ The campus did not document the individual(s) with authority to sign easement, right-of-way, and quitclaim transactions.
- ▶ The campus did not notify the CO of two quitclaim transactions for processing and approval.

State University Administrative Manual (SUAM) §9018, *Acquisition and Granting of Easements and Acceptance of Quitclaims*, states that the Trustees are authorized to grant or acquire easements and rights-of-way. The Trustees are also authorized to quitclaim the right, title, and interest of the CSU in easements and rights-of-way owned by the CSU but which are no longer needed for CSU purposes.

EO 372, dated December 3, 1981, further delegates authority to campus presidents to acquire easements or rights-of-way when necessary for the proper utilization of real property and to convey such rights over CSU property when it is in the best interest of the CSU. In any case, the campus must obtain approval from the Office of General Counsel.

SUAM §9018.03, *Acceptance by Trustees of a Quitclaim of an Easement or Right-of-Way*, states that the campus is responsible for interfacing with the entity quitclaiming easement right, obtaining a legal description of the proposed quitclaim, reviewing the quitclaim for adequacy, and transmitting the complete data to the Land Use Planning and Environmental Review (LUPER) department at the CO. The LUPER will review the proposal, prepare necessary documents, and provide them to the assistant vice chancellor of capital planning, design and construction to execute.

SAM §20050 states that a satisfactory system of internal administrative controls shall include, but not be limited to, an established system of practices to be followed in performance of duties and functions and a system of authorization and recordkeeping procedures adequate to provide effective accounting control.

The director of procurement and contract services, risk management, and real estate stated that the individual previously responsible for oversight of easements, rights-of-way, and quitclaims was no longer with the university and as such, due to the recent transition of responsibility, documentation was overlooked or could not be located.

**Recommendation 8**

We recommend that the campus document the individual(s) with authority to sign easement, right-of-way, and quitclaim transactions and report all quitclaim transactions to the CO.

**Campus Response**

We concur. The campus will obtain written approval from the president delegating the authority to sign easement, right-of-way, and quitclaim transactions and provide the reporting of all of these transactions to Land Use & Planning at the CO.

Estimated completion date: September 1, 2011

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## **APPENDIX A: PERSONNEL CONTACTED**

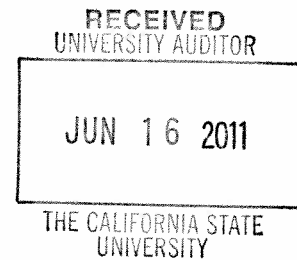
<u>Name</u>	<u>Title</u>
Paul J. Zingg	President
Carol Buckmann	Instructional Support Technician, Chemistry and Biochemistry Department
Jan Burnham	Director, Student Financial Services and Special Assistant to the Vice President, Business and Finance
Trudy Dahlmeier	Buyer I, Procurement and Contract Services
David Foreman	Assistant Vice President, Financial Services
Denise Gavello	Accounting Technician II, Accounting Operations
Sean Greenwald	Manager of Maintenance and Construction Services, Facilities Management and Services
Lorraine Hoffman	Vice President, Business and Finance
Cindy Kelly	Buyer II, Procurement and Contract Services
Sue Maligie	Director, Accounting Operations
Duane McCune	Buyer, Procurement and Contract Services
Warren Moser	Lead Automotive Mechanic, Facilities Management and Services
Marvin Pratt	Interim Assistant Director, Environmental Health and Safety
Sara Rumiano	Director of Procurement and Contract Services, Risk Management, and Real Estate
Sondra Sample	Supervisor, Accounts Payable
Jason Smock	Property Clerk II, Property Management

California State University, Chico  
Chico, California 95929-0025  
Office of the Vice President for Business and Finance  
Office: 530-898-6231 Fax: 530-898-4513

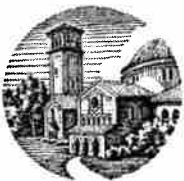


June 6, 2011

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



Dear Mr. Mandel:



Please find enclosed our campus response to recommendations 1 through 8 of the Incomplete Draft Audit Report (11-23) – Delegations of Authority.

While we have indicated concurrence with Recommendations 5 and 6 (Motor Vehicle Inspection Program and Motor Vehicle Use) and will implement campus procedures to meet those recommendations, we respectfully request that these policies (Motor Vehicles – CSU Use of University and Private Vehicles Policy Guidelines – March 2002) be reviewed and updated to provide better guidance to the campus regarding use of on-campus maintenance vehicles and electric carts assigned to one staff or utilized by several staff within a specific department.

If you need further information, please contact me.

Sincerely yours,

Lorraine B. Hoffman  
Vice President for Business and Finance

Enclosure

Cc: Sara Rumiano  
Jan Burnham

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

**Audit Report 11-23**

**PROCUREMENT AND CONTRACTING ACTIVITIES**

**DIRECT PAYMENTS**

**Recommendation 1**

We recommend that the campus develop and implement comprehensive written policies and procedures for direct payments.

**Campus Response**

We concur. Procurement & Contract Services, in conjunction with Accounting Operations/Accounts Payable, has developed a comprehensive written policy along with procedures for direct payments on campus.

Completed: February 21, 2011

**DELEGATIONS OF AUTHORITY**

**Recommendation 2**

We recommend that the campus update its delegation of authority to buyers so that it is properly executed in accordance with the president's directive.

**Campus Response**

We concur. The delegation of authority form has been properly executed.

Completed: January 18, 2011

**PROCUREMENT CARD PROGRAM**

**Recommendation 3**

We recommend that the campus enforce procurement card procedures to ensure that:

- a. Equipment assets with a value greater than \$500 and/or considered to be prone to loss and theft are tagged and recorded to the property system.
- b. Only authorized personnel approve procurement card purchases.

### **Campus Response**

We concur. All Procurement and Contract Services staff received additional training on the procurement card program for statement audits.

- a. Audit of procurement card statements includes review for equipment assets, appropriateness of purchase, and adherence to the policy. Property will be notified of any equipment assets purchased with procurement card with a value greater than \$500 in conjunction with the audit process.
- b. Audit of procurement card statements includes verification of authorized personnel signatures for approval of purchases.

Completed: May 13, 2011

## **DISABLED VETERAN BUSINESS ENTERPRISE PARTICIPATION**

### **Recommendation 4**

We recommend that the campus document DVBE waivers for competitively bid transactions in cases where it is determined that DVBE participation is not required.

### **Campus Response**

We concur. An internal DVBE waiver form will be developed for use in all competitively bid solicitations where the DVBE requirement is waived.

Estimated completion date: September 1, 2011

## **MOTOR VEHICLE INSPECTIONS AND USE**

### **MOTOR VEHICLE INSPECTION PROGRAM**

#### **Recommendation 5**

We recommend that the campus:

- a. Develop and implement a procedure to consistently record and monitor mileage to determine when a vehicle reaches 6,000 miles of use.
- b. Revise campus policies to include a service interval based on hours of use, and ensure that hours of use are consistently recorded in maintenance records.
- c. Revise campus policies to require written approval by the vehicle inspector when parts costs exceed \$350.
- d. Provide all campus vehicles with the full scope of preventive maintenance required by campus policy.

**Campus Response**

We concur.

- a. Existing procedures are based on 6-month intervals regardless of miles of use, since most departments are not currently maintaining logs. Additional procedures will be implemented in conjunction with Recommendation 6.e. to record and monitor usage and perform maintenance at 6,000 miles of use or 6 month intervals, whichever occurs first.
- b. For vehicles that have factory installed hour meters (no odometer), campus procedures will be revised to include hours of use based on manufacturer recommendations of hourly usage or 6-month intervals, whichever occurs first.
- c. Informal implementation and verbal communication of campus policy to require written approval by the vehicle inspector when parts costs exceed \$350 has been made, including the purchase and use of an "approved" stamp. Written campus procedures are being revised to include this policy.
- d. Updating campus procedures regarding maintenance intervals and logs will ensure all campus vehicles are provided with the full scope of preventative maintenance required by campus policy. A new task code has been placed in TMA (FMS job tracking software) to better track the maintenance and provide formal documentation.

Estimated completion date: October 1, 2011

**MOTOR VEHICLE USE****Recommendation 6**

We recommend that the campus:

- a. Obtain written authorization for vehicle use from the campus' delegated official before a vehicle is released to an employee.
- b. Obtain certification statements from all employees who use university-owned vehicles regarding their driving record and possession of a valid driver's license.
- c. Check DMV records at least once every four years for drivers of university-owned vehicles.
- d. Ensure that all drivers of university-owned vehicles attend defensive-driver training at least once every four years.
- e. Require all departments with custody of university-owned vehicles to develop and implement a method to control and monitor the use of state-owned vehicles by employees, and require the use of vehicle logs and trip/daily operator checklists.

**Campus Response**

We concur.

- a. Campus will delegate an official to oversee all aspects of campus motor vehicle use who will ensure written authorization has been provided for vehicle use before a vehicle is released to an employee.
- b. Certification statements will be obtained from all employees on at least an annual basis.
- c. Risk Management and Human Resources are currently working on an interface and process to check DMV records electronically at least every 4 years for drivers of university-owned vehicles. Campus procedures will be developed to notify staff and/or faculty of any driving restrictions based on DMV record checks.
- d. Campus procedures have been revised to ensure all drivers of university-owned vehicles attend defensive driver's training at least once every four years. Campus has implemented procedures to notify staff/faculty 30 days in advance of expiration of defensive driver's training certification. Additionally, a link has been created on the Environmental Health & Safety website so staff/faculty can check their own training records. EHS is using CSU Chico Learning Management System to upload records and track training status.
- e. All departments with custody of university-owned vehicles will develop and implement methods specific to their department use to control and monitor use of state-owned vehicles by employees, including use of logs and checklists.

Estimated completion date: October 1, 2011

## LEASE ADMINISTRATION

### Recommendation 7

We recommend that the campus:

- a. Update the campus facility leasing policy and obtain approval from the president or designee for the associated rate schedule of fees charged.
- b. Obtain executed facility lease agreements, additional insured endorsements, and signed approval by the campus' delegated authorizer when processing short-term leases of campus facilities.

### Campus Response

We concur.

- a. Procedures and associated rate schedule of fees charged are in process of update for approval from the president and campus implementation.
- b. Executed facility lease agreements, additional insured endorsements, and signed approval will be obtained by the campus' delegated authorizer for short-term lease of campus facilities, including written waiver of additional insured requirements when appropriate based on Risk Manager's evaluation of risk.

Estimated completion date: November 5, 2011

## REAL AND PERSONAL PROPERTY TRANSACTIONS

### **Recommendation 8**

We recommend that the campus document the individual(s) with authority to sign easement, right-of-way, and quitclaim transactions and report all quitclaim transactions to the CO.

### **Campus Response**

We concur. The campus will obtain written approval from the president delegating the authority to sign easement, right-of-way, and quitclaim transactions and provide the reporting of all of these transactions to Land Use & Planning at the Chancellor's Office.

Estimated completion date: September 1, 2011

THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

June 27, 2011

CHICO

**MEMORANDUM**

DOMINGUEZ HILLS

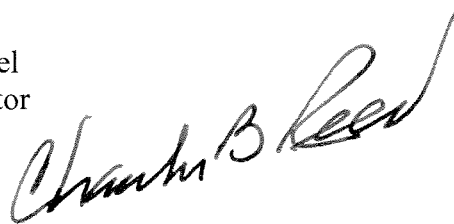
EAST BAY

TO: Mr. Larry Mandel  
University Auditor

FRESNO

FULLERTON

FROM: Charles B. Reed  
Chancellor



HUMBOLDT

SUBJECT: Draft Final Report 11-23 on *Delegations of Authority*,  
California State University, Chico

LONG BEACH

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of June 27, 2011, I accept the response as submitted with the draft final report on *Delegations of Authority*, California State University, Chico.

MONTEREY BAY

NORTHBRIDGE

POMONA

CBR/amd

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS