November 1, 2016

Dr. Judy K. Sakaki, President  
Sonoma State University  
1801 East Cotati Avenue  
Rohnert Park, CA 94928

Dear Dr. Sakaki:

Subject: Audit Report 16-21, Delegations of Authority, Sonoma State University

We have completed an audit of Delegations of Authority as part of our 2016 Audit Plan, and the final report is attached for your reference. The audit was conducted in accordance with the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing.

I have reviewed the management response and have concluded that it appropriately addresses our recommendations. The management response has been incorporated into the final audit report, which has been posted to the Office of Audit and Advisory Services’ website. We will follow-up on the implementation of corrective actions outlined in the response and determine whether additional action is required.

Any observations not included in this report were discussed with your staff at the informal exit conference and may be subject to follow-up.

I wish to express my appreciation for the cooperation extended by the campus personnel over the course of this review.

Sincerely,

Larry Mandel  
Vice Chancellor and Chief Audit Officer

c: Timothy P. White, Chancellor
DELEGATIONS OF AUTHORITY

Sonoma State University

Audit Report 16-21
October 3, 2016
EXECUTIVE SUMMARY

OBJECTIVE

The overall objectives of the audit were to ascertain the effectiveness of delegated activities related to procurement and contracting, motor vehicle inspections, and real and personal property transactions, and to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

CONCLUSION

Based upon the results of the work performed within the scope of the audit, except for the effect of the weaknesses described below, the operational, administrative, and financial controls in effect as of August 12, 2016, taken as a whole, were sufficient to meet the objectives of this audit.

Delegations of authority were generally in order; however, we found that the delegation for the motor vehicle inspection program and related procedures were not in place prior to June 30, 2016. As a result, certain documentation was not in place. For example, we reviewed a sample of the campus’ fleet of 196 motor vehicles, and we found that, in general, documentation was not sufficient to show that regular maintenance was performed. In addition, we found that there was no documentation showing that operators of the vehicles performed regular inspections prior to vehicle use.

Specific observations, recommendations, and management responses are detailed in the remainder of this report.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. MOTOR VEHICLE INSPECTION PROGRAM

OBSERVATION

Administration of the campus motor vehicle inspection program needed improvement.

We found that:

- The campus did not have a written delegation of authority for the administrator responsible for the motor vehicle inspection program prior to June 30, 2016.

- The campus did not have written policies and procedures for the motor vehicle inspection program during the audit period. Draft procedures were provided during fieldwork, but they had not yet been implemented.

The campus could not provide sufficient documentation to show that motor vehicles had undergone regular maintenance and inspection. Specifically, nine out of the ten state-owned vehicles we reviewed, including seven sedans and two electric carts, did not have documentation on file showing that regular maintenance was performed. In addition, there was no documentation showing that operators of the vehicles performed regular inspections prior to vehicle use.

Proper administration of the motor vehicle inspection program increases compliance with state and CSU requirements and provides assurance of safety and the maximization of the useful life of the assets.

RECOMMENDATION

We recommend that the campus:

a. Finalize and implement the procedures for the motor vehicle inspection program, including the process to document the completion of regular maintenance and inspections of motor vehicles.

b. Communicate motor vehicle inspection policies and procedures to key personnel.

c. Perform inspection and maintenance on a scheduled basis in accordance with the motor vehicle inspection procedures, and properly maintain documentation.

MANAGEMENT RESPONSE

We concur.

a. We will finalize and implement the procedures for the motor vehicle inspection program, including the process to document the completion of regular maintenance and inspections of motor vehicles.
b. We will communicate motor vehicle inspection policies and procedures to key personnel.

c. We will perform inspection and maintenance on a scheduled basis in accordance with the motor vehicle inspection procedures and properly maintain documentation. It is our intention to use outside vendors to assist in this process.

Implementation date: No later than April 1, 2017
GENERAL INFORMATION

BACKGROUND

In 1986, Senate Bill (SB) 1828 indefinitely extended California State University (CSU) delegations of authority concerning certain financial and operational responsibilities as part of an ongoing initiative to decentralize functions from the Department of General Services and promote greater economy and efficiencies in CSU operations. Assembly Bill 1191, passed in 1993, expanded the legislation.

SB 1828 also created Education Code (EC) §89045, which established and outlined expectations for the CSU internal audit function. Under the code, audits must be performed at least every five years for procurement and contracting activities; motor vehicle inspection programs; leases; real property transactions; and the sale and exchange of state-owned personal property.

The EC granted the CSU authority over certain procurement and contracting activities, and these authorities were further delegated to the campus presidents or designees through a series of updated Executive Orders (EO), provided that activities were conducted in accordance with Integrated California State University Administrative Manual (ICSUAM) §5000, Contracts and Procurement. These ICSUAM policies were adopted for compliance with a variety of statutory and policy provisions found in the State of California Codes, including the EC, Public Contract Code, and Government Code.

ICSUAM §5000 addresses fair and open competition, including parameters for competitive practices and for situations where less-formal procurement processes can be used. The policies also address available or required special considerations for vendors identifying as Disabled Veteran Business Enterprise (DVBE) and small or micro businesses, or those vendors located in a Target Area Contract Preference Act region, among others.

ICSUAM §3150.01, Administration of University Property, outlines policy regarding how university property is valued, maintained, and safeguarded, as well as the determination and recording of the final disposition or disposal of property. The State University Administrative Manual (SUAM) remains the source for policy regarding certain real property transactions, such as easements, rights-of-way, and quitclaims.

At Sonoma State University (SSU), procurement functions are centralized within the procurement and contract services department, a unit within financial services. The procurement department’s responsibilities include administering all purchase and change orders; preparing bids and requests for proposals; ensuring compliance with DVBE and small business vendor participation requirements; developing contracts and long-term leases; managing vendor relations; and overseeing the procurement-card program. The accounts payable department is responsible for processing direct-payment requests, and the facilities management department is responsible for the motor vehicle inspection program. The department of conference and events services is responsible for managing on-campus events, including the execution of facilities-use agreements.
SCOPE

We visited the SSU campus from July 11, 2016, through August 12, 2016. Our audit and evaluation included the audit tests we considered necessary in determining whether operational, administrative, and financial controls are in place and operative. The audit focused on procedures in effect from July 1, 2014, through August 12, 2016.

Specifically, we reviewed and tested:

- Delegations of authority for contracting, procurement, leases, motor vehicle inspections, and real and personal property transactions.
- Contracting and procurement activities, including documentation to support vendor selection decisions and proper approval of transactions.
- Processes to ensure that motor vehicles are inspected regularly and that maintenance is conducted in a cost-effective manner.
- Processes in place to ensure proper approval and administration of leases.
- Processes in place to ensure that real and personal property transactions are administered in accordance with system policy.

Our review did not include delegations of authority and other contracting and procurement activities for public works projects governed by Public Contracts Code §10700.

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.

Our testing and methodology was designed to provide a review of key operational, financial, and administrative controls, which included detailed testing on a limited number of procurement and other transactions to ensure related processes were conducted in accordance with campus, systemwide, and regulatory policies.

CRITERIA

Our audit was based upon standards as set forth in Board of Trustee policies; CO policies, letters, and directives; campus procedures; and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing.

This review emphasized, but was not limited to, compliance with:

- EC §89031.5, §89036, §89045, §89046 and §89048
- EO 669, Leases
- EO 691, Motor Vehicles Inspections – Delegation of Authority
- EO 760, Procurement Cards
- EO 775, Acquisition of Personal Property and Services
- EO 1000, Delegation of Fiscal Authority and Responsibility
- ICSUAM §3150.01, Administration of University Property
- ICSUAM §5000, Contracts and Procurement
- SUAM §9018, Acquisitions and Granting of Easements and Acceptance of Quitclaims
- Government Code §13402 and §13403
- SSU Contracts Procurement Purchasing Overview
- SSU Motor Vehicle Inspection Procedures (Draft)

AUDIT TEAM

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