

SPECIAL INVESTIGATION
CALIFORNIA STATE UNIVERSITY,
NORTHRIDGE

Report Number 98-91
September 8, 1998

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OFFICE OF THE
UNIVERSITY AUDITOR

September 8, 1998

Report #9891

Dr. Charles Reed
Chancellor
The California State University
Long Beach, CA 90802

Dear Dr. Reed:

Pursuant to a request from your office on July 24, 1998, the Office of the University Auditor has conducted an investigation of possible misappropriation of assets at California State University, Northridge (CSUN). Our investigation was predicated upon alleged improprieties on the part of CSUN and its move crew.

Our examination was conducted in accordance with generally accepted investigative techniques, which included, but were not limited to, examination of books and records, voluntary interviews with appropriate CSUN personnel, and other such evidence-gathering procedures as necessary under the circumstances.

While this report presents the results of our investigation at CSUN, investigations by FEMA and CSUN campus detectives are ongoing, relating to this same matter.

Also included within the report are specific recommendations which we feel would mitigate the recurrence of similar findings in the future. In order to determine if these findings are limited to a specific department or have wider prevalence, a comprehensive review of campus financial management and fiscal controls may be warranted in light of the results of this investigation.

Sincerely,


Larry Mandel
University Auditor

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EXECUTIVE SUMMARY

ALLEGATIONS

- The employer of the university president's spouse, Office Future Systems (OFS), was inappropriately moved by campus move crew.
- The campus move crew was improperly paid overtime wages.

INVESTIGATION RESULTS – MOVE OF OFS

- The CSUN move crew was contacted and OFS was moved.
- It appears that undue influence was placed on the move crew as a result of the campus president's involvement.
- It appears that a gift of the movers' time may have been conferred by the campus.

INVESTIGATION RESULTS – MOVE CREW ABUSE OF OVERTIME

- Several ex-move crew employees admit to overtime abuse as described in the allegation.
- The full nature and extent of such abuses have not been determined.
- CSUN's control over move crew overtime was inadequate, increasing the risk of abuse.

INVESTIGATION RESULTS – ANCILLARY FINDINGS

Campus Keys

- Controls over campus facility keys were not operating as prescribed by campus procedures.

Criminal Record Verification

- Several move-crew employees had undisclosed criminal records. The campus does not routinely perform checks of criminal records.

Driver's License Verification

- Several move crew members did not have valid drivers licenses. The campus does not routinely perform checks of drivers license status for those employees required to operate campus vehicles.

Federal Emergency Management Agency (FEMA) Trucks

- Trucks fully charged to FEMA were used for non-FEMA purposes.

Control of Off-site Warehouse

- Duties were not adequately segregated. Controls over both equipment inventory and inventory records resided with the same employee.

INTRODUCTION

ALLEGATIONS

Two main allegations predicated our investigation. First, it has been alleged that the employer of the spouse of the university president (Office Future Systems – OFS) was moved by California State University, Northridge (CSUN) “move crew” workers who were paid regular CSUN wages for performing this move and whose wages were reimbursed by Federal Emergency Management Agency (FEMA) funds. Second, it has been alleged that move crew members were improperly paid overtime wages for hours not worked. Similarly, these wages were reimbursed by FEMA funds.

BACKGROUND

A critical component of the current reconstruction of the CSUN campus, largely financed with FEMA funds, is the moving of campus faculty and staff offices to and from temporary facilities. Appropriately, FEMA allows reimbursement to the campus for such charges as they relate to projects funded by FEMA. The campus hired its own crew of movers, including a crew supervisor, as interim/temporary CSUN employees to provide these services. The salaries of these workers are paid by the campus and then claimed against FEMA accounts using a typical project cost system. Time not spent on FEMA projects is to be charged to non-FEMA accounts.

SCOPE AND METHOD OF INVESTIGATION

To investigate the allegations, we reviewed applicable campus policies and procedures associated with the move crew function and how related costs are claimed from FEMA. This review included an examination related to financial and non-financial records and documents as available. Additionally, we interviewed current and previous employees with regard to their knowledge of the alleged move of OFS by the move crew and alleged inappropriate salary claims made by move crew members.

RESULTS OF INVESTIGATION

MOVE OF OFFICE FUTURE SYSTEMS (OFS)

Was OFS, in fact, moved by the CSUN move crew?

Based upon the facts and circumstances, it appears that OFS was moved by the CSUN move crew. The CSUN move crew was contacted and the office was moved. In an August 18, 1998 correspondence to the supervisor of the CSUN move crew, the president of OFS indicated that, "in an effort to reach closure on the moving of my office," she was remitting checks for labor and truck rental based upon estimates received from the supervisor on the cost to move the company offices. The campus president and the vice president for administration and finance, as well as various physical plant management managers, indicated that they had knowledge of a prospective move.

In spite of the above, the move crew supervisor indicated that she had no knowledge of the actual move. During an August 21, 1998, interview she indicated, as she consistently has throughout our investigation, that not only did she have no knowledge of the move, but did not estimate or coordinate its completion. She repeatedly stated that she merely took the phone call and "tossed the job out for move crew members to take if they wanted it." The current move crew members indicated that they had no knowledge of the move, except for one who described an "alleged" move. Campus detectives obtained statements from two ex-move crew employees that they knew of the move and that it was performed by the CSUN move crew.

What was Moved, When and How?

According to the president of OFS, a small office suite (less than 1,900 square feet), consisting of mostly desks and file cabinets, was moved. We were given a tour of the current office and found the characterization of the contents to be consistent with our observation. She indicated that items were packed and loaded into a truck on the first day and unloaded on the second day.

The truck was stored overnight by the movers, but OFS's president stated that she did not know where. The storing of the loaded truck was independently corroborated in an interview with a move crew member who only acknowledged an "alleged move" (as described above.) This individual indicated that the storing of the OFS contents was done for several days on campus, however, we were unable to corroborate this.

The president of OFS and the spouse of the campus president indicated that the move occurred over a Thursday and Friday, November 6 and 7, 1997. Both indicated that movers worked during normal CSUN business hours on November 7. The president of OFS indicated that she had been told by someone (whom she could not recall) that the movers were taking a vacation day on that date. No record of CSUN move crew vacations were noted in the accounting records for that date. The record book of move crew activity maintained by the CSUN move crew supervisor was found to have the record for that date torn in half with the bottom half of the page missing (campus detectives took custody of the book shortly after the allegations were reported in the newspaper.) We also noted that the description of work to be performed by the move crew was written in a more terse style than was observed on the typical activity log page.

The OFS president indicated that the truck was a Ryder-type moving truck. She said it was a "plain looking" truck, not an actual Ryder truck. This description conforms with our observation of the type of truck typically operated by the move crew. Further, a review of internal controls over move crew usage of moving trucks leased with FEMA funds revealed that truck usage was not logged as is typically done with CSUN vehicles. The risk of abusive use of this type of truck could be high, as it would be difficult to detect improper use without usage logs. Therefore, the opportunity to use the truck inappropriately for a move such as the OFS move was apparent. In addition, the log for the van used by the move crew to transport movers was not properly completed on November 7, 1997.

Who Requested and Arranged the Move and How was this Request Handled?

The spouse of the campus president indicated that he made initial contact with the move crew supervisor at her CSUN office through the campus physical plant management general phone reception. He does not recall who suggested that such a call could be made.

Upon the move crew supervisor's discovery of the caller's relationship to the president, she (by the accounts of several persons interviewed during our investigation) exhibited concern over being involved with the move as requested. The campus vice president for administration and finance was contacted by the move crew supervisor regarding the crew's participation in the move. The vice president indicated that he, in turn, contacted the president of the university. The president indicated that she and her spouse discussed the OFS move briefly and that, after also talking to the vice president of administration and finance about the move (specifically that it would have to occur on the move crew's own time and with their own equipment), both (the vice president and her spouse) would ensure that the move would proceed appropriately. Various campus officials (including the vice president of administration and finance) indicated in interviews that they told the move crew supervisor that such a move would have to be on the move crew members' own time and with their own equipment.

Although the move crew supervisor initially feigned concern with the move, she eventually noted that she was concerned because this was "political" as the president was involved.

The president of OFS and the spouse of the campus president indicated that they observed the CSUN move crew supervisor walk the OFS offices to consider the scope and nature of the move. As noted above, the supervisor acknowledged this meeting, however, continues to deny coordinating the move arrangements or estimating the cost of the move. She indicated that, after tossing the work out, she did nothing else.

Who did the Move?

The president of OFS believes that off-duty move crew members carried out the move through the coordination efforts of the move crew supervisor. OFS's president provided us with a listing of four persons she believed to be movers. The names came from a file maintained to document the move; however, supporting papers were apparently tossed out and the file was not made available for our review. These names, in addition to four others, were independently provided by two ex-move crew members. None of the movers identified acknowledged involvement with the move. Again, the move crew supervisor denied any knowledge of who could have performed the move.

Why the CSUN Move Crew?

The spouse of the campus president indicated that he knew of the good work of the CSUN move crew from sources that could not be recalled. Further, he indicated that OFS was under pressure to move. This was confirmed independently by the president of OFS, as the lessor of their previous location had demanded the move because they were planning to lease the entire floor of the building on which OFS resided. OFS's president stated that they received bids and were looking for the best value. She indicated (confirmed with the spouse of the president) that she had established a "not to exceed" amount of \$400 for labor with the move crew supervisor. Because of quality and price, the CSUN move crew was called.

ANALYSIS – MOVE OF OFFICE FUTURE SYSTEMS (OFS)

Undue Influence

California Civil Code section 1567 states that an apparent consent to an agreement is not real or free when obtained through duress; menace; fraud; undue influence; or mistake. California Civil Code section 1575 states that undue influence consists in the use by one in whom a confidence is reposed by another, or who holds a real or apparent authority over him, of such confidence or authority for the purpose of obtaining an unfair advantage over him.

California Education Code section 89006 states that it is unlawful for any person to utilize any information, not a matter of public record, that is received by that person by reason of his or her employment by, or contractual relationship with, the trustees, the California State University, or an auxiliary organization of the California State University, for personal pecuniary (monetary) gain, not contemplated by the terms of the employment or contract.

Considering the facts and circumstances noted regarding the move, it appears that any agreement by the CSUN move crew to perform the move of OFS (paid by CSUN or paid by OFS) would have been made under the undue influence of the campus president, whether intentionally or unintentionally. This influence was evidenced by the elevation of the request to the president based upon the move crew supervisor's concern of the "political" nature of the move. The agreement to perform the move was apparently ratified by the move crew's performance of the move and OFS' attempts to pay for the services provided. Further, this agreement might be considered inappropriate, considering the prohibitions and provisions of the California Education Code section 89006.

Gift

As noted above, the president of OFS sent checks to the CSUN move crew supervisor (on August 18, 1998) to cover the cost of the move. She stated that the labor amount of \$400 was based upon an estimate by the move crew supervisor and that the truck rental amount of \$100 was based upon a quote from a rental agency for a similar type truck. The two checks were returned to OFS by the move crew supervisor who stated that, "CSUN was neither responsible for estimating nor coordinating the move of your office." The president of OFS subsequently remitted another set of checks to the California State University. California Civil Code section 1589 states that a voluntary acceptance of the benefit of a transaction is equivalent to a consent to all the obligations arising from it, so far as the facts are known, or ought to be known, to the person accepting that benefit. The results of this investigation indicate that an amount is owed by OFS for the move performed by the CSUN move crew and in light of this conclusion, the funds

were accepted by the California State University, pending a final determination of the value of the benefits received.

Government Code section 82025.5 describes "Fair market value" to mean the estimated fair market value of goods, services, facilities or anything of value other than money. The difference between the fair market value and the amount received may have to be considered a gift as described under Government Code section 82028. This section states that "Gift" means any payment that confers a personal benefit on the recipient, to the extent that consideration of equal or greater value is not received and includes a rebate or discount in the price of anything of value unless the rebate or discount is made in the regular course of business to members of the public without regard to official status. Government Code section 87207 indicates that gifts as small as \$50 are significant when a state official is involved.

We believe some personal pecuniary gain as described under Education Code section 89006 may have been intentionally or unintentionally conferred, resulting in a gift to the direct and indirect benefactors of the move. We were unable to determine the precise value of the gift as the specifics of the work performed and of the agreement made were not documented or otherwise corroborated.

MOVE CREW ABUSE OF OVERTIME

In conjunction with campus detectives, several ex-move crew employees acknowledged overtime abuse as described in the allegations. The full nature and extent of such abuses have not been determined to date and, based upon a review of payroll documentation, will be difficult to prove beyond oral admission to abuses. Sufficient evidence of individual abuses (specific dates and times) is currently being investigated with the cooperation of ex-move crew members who have made these general admissions.

ANALYSIS – MOVE CREW ABUSE OF OVERTIME

An analysis of CSUN's control over overtime paid to the move crew indicated that the manager who made the final approval of overtime paid would not have sufficient specific knowledge of the work being performed by the move crew to act to prevent abuse. Further, the move crew supervisor, also an interim employee, was responsible for initial approval, thus increasing the risk of abuse.

ANCILLARY FINDINGS

During our investigation we noted several other reportable concerns.

Campus Keys

We found that controls over campus facility keys were not operating as prescribed by campus procedures. Employees held keys that were not properly signed out to them. In a recent review (prompted by our investigation) physical plant management found that keys were signed out to people who were no longer employed by the campus and documentation was lacking. We independently found that the move crew supervisor, an interim employee, was allowed to issue keys.

Criminal Record Verification

We found, with the assistance of campus detectives, that various move-crew employees had undisclosed criminal records (not documented on their employment applications). The campus director of human resources indicated that checks of criminal records were costly and had been discontinued more than five years ago by the campus, except when specifically requested by hiring managers. These checks were not requested when move crew members were hired.

Driver's License Verification

We found, with the assistance of campus detectives, that several of the move crew members did not have valid drivers' licenses and their work called for them to drive vehicles for the campus. It appears that copies of licenses may have been requested at some point, however, clear procedures to verify such did not exist.

FEMA Trucks

We found that FEMA trucks were fully charged to FEMA even though they were also used for non-FEMA purposes. Such an instance was observed during our investigation

Control of Off-site Warehouse

We found an inadequate separation of duties with regard to equipment maintained at the off-site warehouse. Both the equipment and the inventory records were maintained by the custodian of the warehouse. Further, adequate documentation (including sufficient authorization) was not obtained when equipment was surveyed.

RECOMMENDATIONS

Our investigation was administrative in nature. Conclusions drawn were made within that context. Access to certain records was limited to records already available to the campus in their regular business records (personal records of move crew members and others involved were not necessarily available.) Access to testimony was limited only to that which individuals gave on a voluntary basis. Alternative access to records and testimony is available to those performing criminal investigations; the revelation of facts that might further support or diminish the conclusions made within this administrative investigation context could result. Recommendations which would mitigate the recurrence of similar findings in the future are presented below:

1. Review of Campus Financial Management

We recommend a comprehensive review of campus financial management and fiscal controls at CSUN to determine if the results of our investigation are limited to a specific department or have wider prevalence.

Campus Response:

The campus concurs with this recommendation. With advice and assistance from Vice Chancellor Richard West, we have engaged Mr. Scott Hughes and Louise Hudson of K. Scott Hughes Associates to conduct a comprehensive review of campus financial management and fiscal controls beginning on or about October 1, 1998. The campus controller and the managers and staff of the Division of Administration and Finance will support Mr. Hughes; he will have complete access to all campus personnel and records.

In addition, the President has authorized a search for a new position of Senior Auditor, which will report directly to her. The search will be in early November and conclude when a suitable candidate has been selected.

The campus has made substantial changes in its budget and accounting departments over the past two years. Dr. Robert J. Kiddoo, CMA, and Professor of Accounting & MIS at CSUN, was appointed in 1997 as the University Controller. Dr. Kiddoo reorganized the department and hired Mr. Wilfredo Miranda, CPA, as a Compliance Office and Mr. John Darakjy, former Big Six accountant, as a Manager of Accounts Receivable. Through attrition, retirement, and reassignment, the campus will have the opportunity to fill a total of nine positions with highly qualified personnel by the end of AY 1998-99. These changes, informed by the comprehensive structural overview by Mr. Hughes, should create the foundation for a consistent, reliable, responsive, and professionally administered financial management and fiscal control environment at CSUN.

2. Campus Conflict Policy

We recommend that the campus develop and promulgate a conflict policy for and to campus administration and finance employees. Further, a means to resolve potential conflicts should be considered. Managers and supervisors should receive training related to this policy.

Campus Response:

The campus concurs with this recommendation. A program on Conflict Disclosure and Resolution will be jointly offered by the Office of Human Resource Services and University Counseling Services in October, 1998. While the program will be available to all staff and administrators on the campus, managers and supervisors in the Division of Administration and Finance will be required to attend. The program will be offered annually at the beginning of each fall semester.

The campus currently conducts a very effective Employee Assistance Program through the University Counseling Services. It provides assistance to employees dealing with interpersonal conflicts either between employees or between employees and their supervisors. The assistant Director of Employee Relations in the office of Human Resource Services is responsible for resolving employee and manager's concerns and complaints. The campus also supports and administers those aspects of collective bargaining agreements that provide grievance and complaint procedures.

3. *Management of the Move Crew*

We recommend that the organizational structure controlling the activities of the move crew be reviewed to ensure that those managers approving overtime have a more direct knowledge of the daily workload. For example, the director of space management has direct knowledge of moves performed for FEMA-related projects and should provide approval of overtime.

Campus Response:

The campus concurs with this recommendation. Effective September 28, 1998 the organizational structure of the move crew has been changed to provide more internal control and oversight of the crew's daily workload. The lead supervisor of the move crew, who manages the crew's daily activities, is not authorized to approve overtime. The approval of overtime is now assigned to the director of space management, who has direct knowledge of the moves performed for FEMA-related projects. The construction management firm of DMJM/JGM will also verify, from the approved list of FEMA projects, that all move crew workload and overtime is necessary.

The workload of the move crew is scheduled to terminate during October, 1998 since no moves are required until buildings currently under construction are completed during the summer of 1999. In the meantime, the campus will reevaluate its use of intermittent workers for moving. If a pooled crew is determined to be the best way to move into the new buildings, the procedures described above will be reinstated.

4. *Campus Keys*

We recommend that controls over campus facility keys be reviewed for adequacy and that an independent review of current records be done to determine the number and location of keys outstanding. Both the results of that review and a written disposition should be made for each missing key identified, including written confirmations from ex-employees as to their possession of keys.

Campus Response:

The campus concurs with this recommendation. A new campus policy for controlling keys has been developed. The new procedure moves the responsibility for controlling keys from departments to the University Lock Shop and Human Resource Services. The "Statement of Release Form" will be dated and signed by both the employee and the university locksmith. A copy of the revised procedure, dated September 9, 1998, is enclosed.

The Key Shop/Locksmith at CSU-Los Angeles has agreed to conduct an independent review of current campus records to determine the number and location of keys outstanding. The review will begin during the week of October 12, 1998 and is expected to be completed by October 30, 1998.

In coordination with the extensive renovation and rebuilding of campus facilities, fourteen (14) buildings have recently been re-keyed and nine (9) additional buildings are scheduled to be re-keyed during the next year. Written confirmations will be sought from ex-employees with outstanding keys to campus buildings that have not been re-keyed since their separation from the university.

5. *Criminal Record Verification*

We recommend that a new campus policy and procedures be developed with regard to when verification of criminal records should be done. That policy might specifically address interim employees and employees granted access to building and campus assets during non-business hours, etc.

Campus Response:

The campus concurs with this recommendation. The current campus fingerprinting policy, which is used to verify employee criminal records, has been in effect since 1985. The office of Human Resource Services recently completed a survey of campus departments to confirm that the categories of employees defined in the fingerprinting policy have been fingerprinted, and that departments understand these categories. The fingerprinting policy will be updated and redistributed by October 5, 1998 to include temporary or interim appointments to specific positions of risk, sensitivity, or as required by law. A compliance review of the policy will be completed each year during the month of November.

6. *Driver's License Verification*

We recommend that a new campus policy and procedures be developed with regard to when verification of criminal records should be done. That policy might specifically address interim employees and employees granted access to building and campus assets during non-business hours, etc.

Campus Response:

The campus concurs with this recommendation. Current university policy requires all employees who request a reservation for a vehicle from the campus motor pool to show a valid State of California Driver's license before keys to the vehicle are released to the employee. This policy will be expanded to require a photocopy of the license from the employee, which will be retained along with the vehicle reservation form, and the requirement for photocopying the license will be

extended to all university departments that manage and provide access to university vehicles. This policy will be distributed to the campus community by October 15, 1998 and become fully effective on November 1, 1998.

Current policy on driver's license verification will also be revised to require that all CSUN employees who use university vehicles as part of their regular work assignment, including temporary and intermittent workers, will be required to show a valid State of California Driver's license at the commencement of their employment or use of the vehicle and permit the license to be photocopied before keys to the vehicle are released to the employee. For these employees, the university will request that the Department of Motor Vehicles (DMV) provide regular notification to the campus of any approved drivers who have been convicted of a driving offense or had any action taken against his/her driving privilege. In addition, in May of each year the Office of Human Resource Services will verify all licenses of continuing drivers with the DMV. Employees who have been convicted of a serious driving offense or had their driving privileges removed will not be permitted to operate university vehicles.

7. FEMA Trucks

We recommend that moving truck leases be charged against the campus general fund and then claimed against FEMA. This should be based upon actual usage in a manner similar to that used to charge FEMA for usage of other campus vehicles where appropriate. To ensure their concurrence with the methodology and results of the corrective actions taken, a calculation of overcharges for trucks claimed against FEMA should be made in coordination with FEMA representatives.

Campus Response:

The campus concurs with this recommendation. The two trucks and one van that were rented by FEMA for disaster recovery moves have been returned to the rental agencies. Henceforth, all vehicle or equipment rentals will be made by the campus and then claimed to FEMA following the Federal methodology and guidelines.

Our construction management firm has completed the enclosed review of reimbursements to FEMA for campus use of the moving truck. The \$6,300 has been charged to Physical Plant Management and credited to G/L6953 12 - Campuswide Emergency Temporary Facilities.

8. Control of Off-site Warehouse

We recommend that controls over the off-site warehouse be reviewed for adequacy, an independent physical inventory count be performed, and the results be reconciled to inventory records. To determine the appropriateness of asset dispositions made to date, an independent review and analysis should be completed.

Campus Response:

The campus concurs with this recommendation.

Control of off-site warehouses: Campus policy and procedure for control of off-site warehouses was revised, effective September 24, 1998, to provide direct oversight and control. Control of the warehouses is now assigned to the University Asset Manager, under the oversight of the Director of Purchasing & Logistical Services. The Asset Manager will approve the movement of all

materials into and out of these facilities in collaboration with the Coordinator of Space Management, and in accordance with procedures dictated by State Administrative Manual (SAM).

Off-Site Inventory: We have engaged Bar/Scan, Inc., Westlake, CA, to conduct an independent audit of the physical inventory of the off-site warehouses. Bar/Scan is scheduled to begin the week of October 5, 1998 with anticipated completion by October 30, 1998. (Note: SAM Sections 8650 through 8652 dictates that capitalized equipment, i.e., materials with a unit value of \$5,000 and above, be tagged in addition to those items deemed "sensitive." A significant amount of the materials in our warehouses are furniture, which do not fit the SAM criteria and, accordingly, were not tagged and carried on the University Property Tag Master Listing. However, since September 1997, the University Asset Management policy has exceeded the SAM Property Control Standards by tagging all furniture items also). Bar/Scan, Inc., will complete a reconciliation of the inventory records with the physical inventory in accordance with SAM requirements by November 15, 1998.

Disposition of Assets: Disposition of all university property is conducted by Asset Management in accordance with SAM Section 3520. Asset Management maintains records of all such disposed property by category. Bar/Scan, Inc. will conduct an independent review of these disposition records.



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CHARLES B. REED
 CHANCELLOR

October 2, 1998

RECEIVED
 University Auditor

OCT 05 1998

MEMORANDUM

The California State
 University

TO: Mr. Larry Mandel
 University Auditor

FROM: Charles B. Reed

SUBJECT: CSUN Response to Draft Audit Report

President Blenda Wilson responded to my request that she react to the report resulting from your special investigation conducted at CSU Northridge. In summary, CSUN concurs with each recommendation. In some cases corrective action was taken in the month of September. Other management actions are scheduled for October.

CSUN's reponse is attached.

CBR/wd

Attachment



Office of the President

September 28, 1998

Dr. Charles B. Reed
Chancellor
The California State University
400 Golden Shore
Long Beach, CA 90802-4275

Dear Charlie:

Please find enclosed our campus response to the university auditor's preliminary report on the special investigation that was recently conducted here.

I look forward to discussing this matter with you further.

Best wishes.

Sincerely,

A handwritten signature in cursive script that reads "Blenda".

Blenda J. Wilson
President

BJW/trr

Enclosure

Response from California State University, Northridge
to Preliminary Draft of Special Investigation
Report Number 98-91

September 28, 1998

Recommendation 1: Review of Campus Financial Management:

We recommend that a comprehensive review of campus financial management and fiscal controls be conducted at CSUN to determine if the results of our investigation are limited to a specific department or have wider prevalence.

Campus Response:

The campus concurs with this recommendation. With advice and assistance from Vice Chancellor Richard West, we have engaged Mr. Scott Hughes and Louise Hudson of K. Scott Hughes Associates to conduct a comprehensive review of campus financial management and fiscal controls beginning on or about October 1, 1998. The campus controller and the managers and staff of the Division of Administration and Finance will support Mr. Hughes; he will have complete access to all campus personnel and records.

In addition, the President has authorized a search for a new position of Senior Auditor which will report directly to her. The search will begin in early November and conclude when a suitable candidate has been selected.

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Recommendation #2: Campus Conflict Policy:

We recommend that the campus develop and promulgate a conflict policy for and to campus administration and finance employees. Further, a means to resolve potential conflicts should be considered. Managers and supervisors should receive training related to this policy.

Campus Response:

The campus concurs with this recommendation. A program on Conflict Disclosure and Resolution will be jointly offered by the Office of Human Resource Services and University Counseling Services in October, 1998. While the program will be available to all staff and administrators on the campus, managers and supervisors in the Division of Administration and Finance will be required to attend. The program will be offered annually at the beginning of each fall semester.

The campus currently conducts a very effective Employee Assistance Program (see attached brochure), through the University Counseling Services. It provides assistance to employees dealing with interpersonal conflicts either between employees or between employees and their supervisors. The assistant Director of Employee Relations in the office of Human Resource Services is responsible for resolving employee and manager's concerns and complaints. The

campus also supports and administers those aspects of collective bargaining agreements that provide grievance and complaint procedures.

Recommendation #3: Management of the Move Crew:

We recommend that the organizational structure controlling the activities of the move crew be reviewed to ensure that those managers approving overtime have a more direct knowledge of the daily workload. For example, the director of space management has direct knowledge of moves performed for FEMA-related projects and should provide approval of overtime.

Campus Response:

The campus concurs with this recommendation. Effective September 28, 1998 the organizational structure of the move crew has been changed to provide more internal control and oversight of the crew's daily workload. The lead supervisor of the move crew, who manages the crew's daily activities, is not authorized to approve overtime. The approval of overtime is now assigned to the director of space management, who has direct knowledge of the moves performed for FEMA-related projects. The construction management firm of DMJM/JGM will also verify, from the approved list of FEMA projects, that all move crew workload and overtime is necessary.

The workload of the move crew is scheduled to terminate during October, 1998 since no moves are required until buildings currently under construction are completed during the summer of 1999. In the meantime, the campus will reevaluate its use of intermittent workers for moving. If a pooled crew is determined to be the best way to move into the new buildings, the procedures described above will be reinstated.

Recommendation #4: Campus Keys:

We recommend that controls over campus facility keys be reviewed for adequacy and that an independent review of current records be done to determine the number and location of keys outstanding. Both the results of that review and a written disposition should be made for each missing key identified, including written confirmations from ex-employees as to their possession of keys.

Campus Response:

The campus concurs with this recommendation. A new campus policy for controlling keys has been developed. The new procedure moves the responsibility for controlling keys from departments to the University Lock Shop and Human Resource Services. The "Statement of Release Form" will be dated and signed by both the employee and the university locksmith. A copy of the revised procedure, dated September 9, 1998, is enclosed.

The Key Shop/Locksmith at CSU-Los Angeles has agreed to conduct an independent review of current campus records to determine the number and location of keys outstanding. The review will begin during the week of October 12, 1998 and is expected to be completed by October 30, 1998.

In coordination with the extensive renovation and rebuilding of campus facilities, fourteen (14) buildings have recently been re-keyed and nine (9) additional buildings are scheduled to be re-keyed during the next year. Written confirmations will be sought from ex-employees with outstanding keys to campus buildings that have not been re-keyed since their separation from the university.

Recommendation #5: Criminal Record Verification:

We recommend that a new campus policy and procedures be developed with regard to when verification of criminal records should be done. That policy might specifically address interim employees and employees granted access to building and campus assets during non-business hours, etc.

Campus Response:

The campus concurs with this recommendation. The current campus fingerprinting policy, which is used to verify employee criminal records, has been in effect since 1985. The office of Human Resource Services recently completed a survey of campus departments to confirm that the categories of employees defined in the fingerprinting policy have been fingerprinted, and that departments understand these categories. The fingerprinting policy will be updated and redistributed by October 5, 1998 to include temporary or interim appointments to specific positions of risk, sensitivity, or as required by law. A compliance review of the policy will be completed each year during the month of November.

Recommendation #6: Driver's License Verification:

It was recommended that a new campus policy and procedures be developed with regard to when verification of driver's license should be done.

Campus Response:

The campus concurs with this recommendation. Current university policy requires all employees who request a reservation for a vehicle from the campus motor pool to show a valid State of California Driver's license before keys to the vehicle are released to the employee. This policy will be expanded to require a photocopy of the license from the employee, which will be retained along with the vehicle reservation form, and the requirement for photocopying the license will be extended to all university departments that manage and provide access to university vehicles. This policy will be distributed to the campus community by October 15, 1998 and become fully effective on November 1, 1998.

Current policy on driver's license verification will also be revised to require that all CSUN employees who use university vehicles as part of their regular work assignment, including temporary and intermittent workers, will be required to show a valid State of California Driver's license at the commencement of their employment or use of the vehicle and permit the license to be photocopied before keys to the vehicle are released to the employee. For these employees, the university will request that the Department of Motor Vehicles (DMV) provide regular notification to the campus of any approved drivers who have been convicted of a driving offense or had any action taken against his/her driving privilege. In addition, in May of each year the Office of Human Resource Services will verify all licenses of continuing drivers with the DMV. Employees who have been convicted of a serious driving offense or had their driving privileges removed will not be permitted to operate university vehicles.

Recommendation #7: FEMA Trucks:

We recommend that moving truck leases be charged against the campus general fund and then claimed against FEMA. This should be based upon actual usage in a manner similar to that used to charge FEMA for usage of other campus vehicles where appropriate. To ensure their concurrence with the methodology and the results of the corrective actions taken, a calculation of overcharges for trucks claimed against FEMA should be made in coordination with FEMA representatives.

Campus Response:

The campus concurs with this recommendation. The two trucks and one van that were rented by FEMA for disaster recovery moves have been returned to the rental agencies. Henceforth, all vehicle or equipment rentals will be made by the campus and then claimed to FEMA following the Federal methodology and guidelines.

Our construction management firm has completed the enclosed review of reimbursements to FEMA for campus use of the moving truck. The \$6,300 has been charged to Physical Plant Management and credited to G/L6953 12 - Campuswide Emergency Temporary Facilities.

Recommendation #8: Control of Off-Site Warehouse:

We recommend that controls over the off-site warehouse be reviewed for adequacy, an independent physical inventory count be performed, and the results be reconciled to inventory records. To determine the appropriateness of asset dispositions made to date, and independent review and analysis should be completed.

Campus Response:

The campus concurs with this recommendation.

Control of off-site warehouses: Campus policy and procedure for control of off-site warehouses was revised, effective September 24, 1998, to provide direct oversight and control. Control of the warehouses is now assigned to the University Asset Manager, under the oversight of the Director of Purchasing & Logistical Services. The Asset Manager will approve the movement of all materials into and out of these facilities in collaboration with the Coordinator of Space Management, and in accordance with procedures dictated by State Administrative Manual (SAM).

Off-Site Inventory: We have engaged Bar/Scan, Inc., Westlake, CA, to conduct an independent audit of the physical inventory of the off-site warehouses. Bar/Scan is scheduled to begin the week of October 5, 1998 with anticipated completion by October 30, 1998. (Note: SAM Sections 8650 through 8652 dictates that capitalized equipment, i.e., materials with a unit value of \$5,000 and above, be tagged in addition to those items deemed "sensitive." A significant amount of the materials in our warehouses are furniture, which do not fit the SAM criteria and, accordingly, were not tagged and carried on the University Property Tag Master Listing. However, since September 1997, the University Asset Management policy has exceeded the SAM Property Control Standards by tagging all furniture items also). Bar/Scan, Inc., will complete a reconciliation of the inventory records with the physical inventory in accordance with SAM requirements by November 15, 1998.

Disposition of Assets: Disposition of all university property is conducted by Asset Management in accordance with SAM Section 3520. Asset Management maintains records of all such disposed property by category. Bar/Scan, Inc. will conduct an independent review of these disposition records.