

**SPECIAL INVESTIGATION –
PARKING SERVICES**

**CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO**

**Investigative Report 10-91
June 10, 2010**

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June 10, 2010

Report #10-91

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


Dear Dr. Reed:

Pursuant to a request from your office on February 25, 2010, the Office of the University Auditor has conducted an investigation in response to the following two allegations made by California State University, San Bernardino campus administration that the director of parking services: a) did not appropriately deposit special event parking revenues and b) violated parking services' internal control procedures for cash handling.

To investigate the allegations, we reviewed applicable policies and procedures, special event information for calendar years 2008 and 2009, accounting records, e-mail, and ticket stubs and other documentation pertaining to special event parking. In addition, we interviewed parking services staff and other campus personnel.

Included within the report are the results of the investigation of the initial allegations plus ancillary findings, along with specific recommendations which, we believe, would benefit parking services' fiscal and operational management.

Sincerely,



Larry Mandel
University Auditor

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ABBREVIATIONS

Arena	Coussoulis Arena
Director	Director of Parking Services

EXECUTIVE SUMMARY

INITIAL ALLEGATION

It was alleged that the director of parking services (director): a) did not appropriately deposit special event parking revenues and b) violated parking services' internal control procedures for cash handling.

INVESTIGATION RESULTS – INITIAL ALLEGATION

Neither the director nor the campus was able to provide evidence as to whether or where special event parking revenues were deposited. In addition, we found that the director violated parking services' internal control procedures for cash handling.

INVESTIGATION RESULTS – ANCILLARY FINDINGS

Lack of Policies and Procedures

- ▶ Parking services lacked policies and procedures to address special event parking.

Lack of Formal Agreements

- ▶ Parking services did not have formal agreements to share special event parking revenues with Coussoulis Arena and other departments on campus.

INTRODUCTION

INITIAL ALLEGATION

The director of parking services: a) did not appropriately deposit special event parking revenues and b) violated parking services' internal control procedures for cash handling.

BACKGROUND

Parking Services

Parking services is dedicated to maintaining accessible, attractive, and safe parking facilities to meet the parking needs of their customers. Parking rules and regulations are designed to provide orderly parking for faculty, staff, students, and visitors.

Special Events

Many types of special events are held on the campus, including job fairs and career expos, lectures, concerts, and various athletic events and tournaments, and they are often held at the Coussoulis Arena (arena). The arena is located on the campus and its primary goal is to serve the campus and community by providing quality entertainment and sporting events that will assist with on-campus student recruitment, retention, and fundraising.

When special events are held on campus, parking services may institute changes to parking areas and rates depending on the event needs; higher fees are sometimes charged for special events. However, not all special events held on the campus are classified as special events in terms of parking. For example, certain events, such as job fairs and career expos offer free parking, whereas other, larger events, such as concerts and other entertainment, will be staffed by parking services personnel selling special event parking tickets.

There are two information centers on campus, one of which is the primary location to handle special event parking. That information center is staffed by the information services coordinator and various student assistants.

Revised Procedures

In 2009, the Office of the University Auditor conducted an audit at the campus and the review of the cashing function in parking services revealed areas for improvement. Based in part on the results of the audit, parking services revised its cash-handling policies and procedures and began implementing changes around the summer of 2009. Our current investigation reviewed special events held at the campus during calendar years 2008 and 2009, so the cash-handling procedures changed during the period we reviewed.

Campus Actions and Notifications

On February 18, 2010, the allegation of fiscal improprieties within parking services was brought to the attention of California State University, San Bernardino officials. The president contacted the chancellor of the California State University on February 25, 2010, and the Office of the University Auditor was asked to review the allegations.

SCOPE AND METHOD OF INVESTIGATION

To investigate the allegation, we reviewed applicable policies and procedures, special event information for calendar years 2008 and 2009, accounting records, e-mail, and ticket stubs and other documentation pertaining to special event parking. In addition, we interviewed parking services staff and other campus personnel.

RESULTS OF INVESTIGATION

INVESTIGATION RESULTS – INITIAL ALLEGATION

Neither the director of parking services nor the campus was able to provide evidence as to whether or where special event parking revenues were deposited. In addition, we found that the director violated parking services' internal control procedures for cash handling.

Revenues Not Deposited Appropriately

We obtained a listing of campus special events for calendar years 2008 and 2009 from the Coussoulis Arena (arena) and athletics department.¹ We combined the information into a list of 46 events and asked parking services personnel to indicate how the parking was handled for each event, i.e., whether parking was free, charged at the regular daily rate, or whether special event parking was used and a higher fee charged. Based on the information from parking services, special event parking was used for 11 of the 46 events. However, when we attempted to verify that the special event parking revenues were appropriately deposited, we were able to verify deposits for only 2 of the 11 events.

Based upon documentation provided by the campus, we estimated that parking services received approximately \$44,582 in revenue from the nine events. The table below summarizes the nine events and the amount we estimated would have been collected.

Estimated Revenue from Selected Special Events For Which We Could Not Verify Deposits

Date	Event	Estimated Revenue
March 29-30, 2008	Winter Guard International	\$ 4,128
April 12-13, 2008	California Youth Spirit Corps Cheerleading	11,239
August 29-30, 2008	Volleyball Tournament	395
October 12, 2008	World Wrestling Entertainment	5,274
October 24, 2008	Summit Career College	3,504
November 20-22, 2008	NCAA West Regional Volleyball Championship	1,315
December 20, 2008	A Very Merry Xmas Party	4,111
April 4-5, 2009	California Youth Spirit Corps Cheerleading	12,156
December 19, 2009	A Very Merry Xmas Party	2,460
	Total	\$44,582

We asked the director of parking services (director) to help us locate/verify the deposits for the remaining nine events. Although he provided dates and account numbers for six of the deposits, when we requested the supporting documentation from the accounting office, the documents indicated the deposits were for regular daily receipts and there was no indication they were related to the special events. The director later confirmed that the information he provided to us was a “best guess” based on his discussions with accounting office personnel. In the other three instances, the director indicated that special event parking (i.e., issuing of special event parking stubs) was not used, but in all three instances, we later found the special event parking ticket stubs. Because the director presented to us as factual information which was based on a “best guess,” and later determined to be inaccurate, we did not find the director credible.

¹ These are the two departments on campus most likely to have events that would necessitate special event parking.

The director referred us to one of his staff to see whether the missing deposits or other documentation could be located. After approximately one week of searching, the employee had been unable to locate the deposits or other supporting documentation related to the deposits. We also confirmed with campus accounting personnel that they had not located the specific deposits. As a result, we were unable to determine whether or where approximately \$44,582 in special event parking revenue was deposited.

In accordance with California Education Code, Section 89721, notwithstanding any other provision of law, fees received for parking shall be deposited into local trust accounts or in trust accounts in accordance with Sections 16305 to 16305.7, inclusive, of the Government Code, or in the California State University Trust Fund.

Internal Control Procedures Not Followed

Parking services' cash-handling procedures changed during the period we reviewed. Under the previous procedures, cash receipts were supposed to be taken by courier or a department designee to the campus bursar's office. Because special events were typically handled by one of the information centers on campus, under the procedures in place at that time, the special event parking revenues should have been taken to the campus bursar's office. However, in violation of those procedures, the director, on certain occasions, asked information center staff to bring the money directly to him, while on other occasions he asked to have information center staff bring the money to the assistant director who would then bring the money to him (the director).²

After the cash-handling procedures changed during the summer of 2009, the money collected by the information center was to be taken by courier to the parking services cashier's office; after the deposit was prepared by the staff in parking services' financial operations, the money was transported by courier to the bursar's office for deposit. However, even under the new procedures, the director instructed the assistant director to have the information services coordinator bring the money to the assistant director to give to the director. The director also requested that the money be in large bills; he could not provide a logical or credible reason for doing so.

When we asked the director why he was having the money brought to him instead of following the established procedures, he said that parking services shared parking revenues with the arena and other departments on campus and having the money and other documentation³ brought to him helped him determine how much would go to other departments. He said that he never opened the sealed bags the money was in and never took money out. Further, he said that once he determined revenue share amounts, he gave the money to staff in the parking services front office for delivery to the campus bursar's office. Because he said he never opened the sealed bags of cash, this explanation provides no credible or logical reason for the director to take possession of the money. Moreover, the director also told us that he sometimes had information center staff take the revenue share to the other departments; if that was true, again there would have been no need for the director to take possession of the money, however, the information center staff did not corroborate the director's representation.

² The director said he instructed that the money be brought to the assistant director because the assistant director oversaw the information centers.

³ One of the documents the director said he used to determine revenue shares was a cost analysis form typically prepared by the information services coordinator that summarized the gross special event parking revenue, less costs for staffing the event, to determine a net revenue amount.

The director also told us that one reason cash was taken to the departments was because some of the departments maintained their accounts in the campus' foundation, and because parking services had their accounts with the campus, it was not possible to deposit the revenues and do a journal entry transfer between the two entities for the revenue share. We did not attempt to verify this particular statement because we were unable to corroborate that the revenue sharing with other campus departments occurred at all. Specifically, the director said the revenue sharing with other departments was done at the direction of the former vice president of administration and finance; however the former vice president told us that he never gave such direction. In addition, as mentioned above, we spoke with information center staff who said that they had never been asked to make such deliveries, though two employees had been asked to deliver cash to the arena a few years ago. When we asked for names of individuals in those departments who requested or received the money, the director said he was usually not given the name of a particular person to deliver the money to and they did not get a receipt. Athletics was one of the departments the director said received a revenue share, but the athletic director told us that to his knowledge, athletics never received a share of parking revenues. The director was unable to provide any documentation showing specific amounts or destinations of the revenue sharing.⁴ Finally, we were unable to corroborate the director's statement to us that, after he received the cash and determined the cost share amounts, he gave the special events parking revenue to the front office staff for delivery to the bursar's office for deposit.

California Government Code, Section 13400, et seq., states that fraud and errors in state programs are more likely to occur from a lack of effective systems of internal accounting and administrative control in state agencies. Such effective control systems are necessary to assure that state assets and funds are adequately safeguarded, as well as to produce reliable financial information for the agency. Elements of a satisfactory system of control shall include a plan of organization that provides segregation of duties appropriate for proper safeguarding of state agency assets and a plan that limits access to state agency assets to authorized personnel who require these assets in the performance of their assigned duties.

California Education Code, Section 89535, states that employees may be dismissed, demoted, or suspended for certain causes, including dishonesty.

⁴ We obtained revenue share information from the arena, but the director said the documentation he had maintained related to revenue sharing was in a file that he was unable to locate and that may have been lost or destroyed.

INVESTIGATION RESULTS – ANCILLARY FINDINGS

Lack of Policies and Procedures

Parking services did not have policies and procedures to address special event parking.

Although parking services has recently taken several steps to improve internal controls over its cash handling, they still lack policies and procedures specifically related to special event parking. The director told us that he did not know what constituted a special event and said that one of his staff usually makes the determination about how parking will be handled for various events and what rate to charge. The staff person confirmed that the process for determining what constitutes a special event for parking purposes is somewhat at his discretion, but he said the process is ambiguous and that the associate director or director are the ones who determine the rate. The associate director said the director determined the rate.

Without clear policies and procedures, staff cannot consistently determine which special events require special parking arrangements and what the rates should be. This may also result in inconsistent treatment of individuals coming to campus in terms of the rates they pay for various events.

Under California Government Code, Section 13400, et seq., the following are elements of a satisfactory system of control: a system of authorization and recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures, and an established system of practices to be followed in performance of duties and functions.

Lack of Formal Agreements

Parking services did not have formal agreements to share special event parking revenues with the Coussoulis Arena and other departments on campus.

As noted previously, although the director said parking services shared parking revenue with other departments on campus, he was unable to provide any evidence and other staff we interviewed did not corroborate his statements. However, several parties confirmed that parking services had a practice of sharing special events parking revenues with the arena. Both the director of parking services and the director of the arena confirmed the practice had been in place for several years, but there was no written agreement and no consistent way the revenue share is determined. Although the director of parking services told us that he determines the revenue share after each special event, he did not have any particular way of determining how much the arena would receive as its share. The director of the arena confirmed that she did not know how the director of parking services determined the arena's share and he never provided her with any breakdown or explanation of how the amount was calculated, nor was she told how much parking revenue an event took in.

Failure to have a formal, documented policy is problematic for both parties because there is nothing to indicate that the arrangement was ever properly approved and by whom and there is no clear and consistent way the revenue share is determined.

California Government Code, Section 13400, et seq., states that elements of a satisfactory system of control include a system of authorization and recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures and an established system of practices to be followed in performance of duties and functions.

RECOMMENDATIONS

Our investigation was administrative in nature. The conclusions we drew were made within that context. Recommendations that would mitigate the recurrence of similar findings are presented below.

1. Revenues Not Deposited Appropriately and Internal Control Procedures Not Followed

We recommend that the campus make staff aware of the importance of following established procedures and provide them with information about what to do if they are asked to take actions that violate the policies and procedures.

Campus Response

- a. The campus agrees with this recommendation. On April 15, 2010, the vice president for administration and finance met with all parking office employees involved with cash management. In this meeting, current policies and procedures for handling parking revenue and cash management were reviewed with employees. Employees were directed to follow these policies and procedures with no exceptions. Employees were also directed to contact their supervisor or other higher officials, including the vice president, if anyone asks or directs them not to follow these policies and procedures. In addition, all parking services staff members will be provided with a workplace ethics orientation. The vice president will also be sending all university employees a notice reminding them that they are required to follow all applicable financial policies and procedures and that they should promptly report any direction otherwise to their supervisors or to higher level officials at the university. Employees will also be informed of specific CSU Whistleblower Protection provisions and the California State Whistleblower Hotlines.
- b. The campus agrees with this recommendation. On April 20, 2010, the director of parking services submitted a letter stating his intention to retire July 23, 2010. He also indicated he will be using vacation leave from May 1 until July 23, 2010. When the campus has the final investigative report from the university auditor, it will be submitted to the San Bernardino County District Attorney's Office for review and further action.

Completion Date: June 30, 2010

2. Lack of Policies and Procedures

We recommend that the campus establish policies and procedures related to special event parking, including how to determine whether special event parking will be utilized for a campus event, the correct approval process, and how the rates will be determined.

Campus Response

The campus agrees with this recommendation. The acting director, parking services has convened a task force to develop special event policies and procedures. These policies and procedures will be

ready for the vice president's review by June 4 and will be in place by June 30, 2010. A copy will be provided to the university auditor when it is final.

Completion Date: June 30, 2010

3. Lack of Formal Agreements

We recommend that the campus determine whether it is appropriate and desirable to have revenue sharing between parking services and the arena and if so, document the specifics of the agreement including how the revenue share will be determined, and ensure the agreement is properly authorized.

Campus Response

The campus agrees with this recommendation. The campus has determined that revenue sharing between parking services and the arena is not necessary or appropriate. The vice president for administration and finance will communicate this decision to the director of parking services and the director of Coussoulis Arena.

Completion Date: June 30, 2010

State of California

California State University, San Bernardino
5500 University Parkway
San Bernardino, California 92407-2397

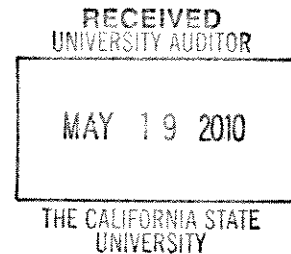
MEMORANDUM

DATE: May 19, 2010

TO: Larry Mandel
University Auditor
The California State University

FROM: Bob Gardner, Vice President
for Administration and Finance

SUBJECT: **Campus Response to *Special Investigation – Parking Services
Investigative Report No. 10-91***
California State University, San Bernardino



Enclosed is the campus response to CSUSB's *Special Investigation –
Parking Services Investigative Report No. 10-91*

Please contact me with any questions you may have. Thank you.

c: Al Karnig

Enclosure

**SPECIAL INVESTIGATION –
PARKING SERVICES**

**CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO**

Investigative Report 10-91

Our investigation was administrative in nature. The conclusions we drew were made within that context. Recommendations that would mitigate the recurrence of similar findings are presented below.

1. Revenues Not Deposited Appropriately and Internal Control Procedures Not Followed

We recommend that the campus:

- a. Take action to ensure that staff are aware of the importance of following established procedures and provide them with information about what to do if they are asked to take actions that violate the policies and procedures.
- b. Consider taking disciplinary action against the director for his inability to account for the special event parking revenues and his failure to follow cash handling procedures.

Campus Response

- a. The campus agrees with this recommendation. On April 15, 2010 the Vice President for Administration and Finance met with all Parking Office employees involved with cash management. In this meeting current policies and procedures for handling parking revenue and cash management were reviewed with employees. Employees were directed to follow these policies and procedures with no exceptions. Employees were also directed to contact their supervisor or other higher officials, including the Vice President, if anyone asks or directs them not to follow these policies and procedures. In addition, all Parking Services staff members will be provided with a workplace ethics orientation. The Vice President will also be sending all university employees a notice reminding them that they are required to follow all applicable financial policies and procedures, and that they should promptly report any direction otherwise to their supervisors or to higher level officials at the university. Employees will also be informed of specific CSU Whistleblower Protection provisions and the California State Whistleblower Hotlines.
- b. The campus agrees with this recommendation. On April 20, 2010 the Director of Parking Services submitted a letter stating his intention to retire July 23, 2010. He also indicated he will be using vacation leave from May 1 until July 23, 2010. When the campus has the final Investigative Report from the University Auditor, it will be submitted to the San Bernardino County District Attorney's Office for review and further action.

Completion Date: June 30, 2010

RECOMMENDATIONS

2. Lack of Policies and Procedures

We recommend that the campus establish policies and procedures related to special event parking, including how to determine whether special event parking will be utilized for a campus event, the correct approval process, and how the rates will be determined.

Campus Response

The campus agrees with this recommendation. The Acting Director, Parking Services has convened a task force to develop special event policies and procedures. These policies and procedures will be ready for the Vice President's review by June 4, and will be in place by June 30, 2010. A copy will be provided to the University Auditor when it is final.

Completion Date: June 30, 2010

3. Lack of Formal Agreements

We recommend that the campus determine whether it is appropriate and desirable to have revenue sharing between parking services and the arena and if so, document the specifics of the agreement including how the revenue share will be determined, and ensure the agreement is properly authorized.

Campus Response

The campus agrees with this recommendation. The campus has determined that revenue sharing between Parking Services and the arena is not necessary or appropriate. The Vice President for Administration and Finance will communicate this decision to the Director of Parking Services and the Director of Coussoulis Arena.

Completion Date: June 30, 2010

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR



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- SONOMA
- STANISLAUS

June 10, 2010

MEMORANDUM

TO: Mr. Larry Mandel
University Auditor

FROM: Charles B. Reed
Chancellor

A handwritten signature in black ink that reads "Charles B. Reed".

SUBJECT: Draft Final Investigative Report 10-91, *Special Investigation – Parking Services*, California State University, San Bernardino

In response to your memorandum of June 10, 2010, I accept the response as submitted with the draft final report on *Special Investigation – Parking Services* at California State University, San Bernardino.

CBR/amd

Enclosure