

**SPECIAL INVESTIGATION
COLLEGE OF THE ARTS**

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH**

**Investigative Report 10-92
May 9, 2011**

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University Auditor: Larry Mandel
Manager of Investigations: Cindy Sanford

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Office of the University Auditor

401 Golden Shore, 4th Floor
Long Beach, CA 90802-4210

Larry Mandel
University Auditor

562-951-4430
562-951-4955 (Fax)
lmandel@calstate.edu

May 9, 2011

Report #10-92

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 April 5, 2010, the Office of the University Auditor has conducted an investigation in response to the following two allegations made by California State University, Long Beach campus administration that a professor in the College of the Arts: a) facilitated the submission of a \$10,000 false claim to reimburse a student for an expense the student said he did not incur and b) directed a student to pay him a portion of other funds he helped obtain.

To investigate the allegations, we reviewed applicable policies and procedures, the \$10,000 request for reimbursement, and numerous other accounting records from accounts maintained by the campus and by the foundation, including scholarship payments to students dating back to March 2005. In addition, we interviewed campus and foundation employees as well as current and former students.

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 campus fiscal and operational management.

Sincerely,



Larry Mandel
University Auditor

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ABBREVIATIONS

COTA	College of the Arts
CSULB	California State University, Long Beach
Foundation	California State University, Long Beach Foundation

EXECUTIVE SUMMARY

INITIAL ALLEGATION

It was alleged that a professor in the College of the Arts (COTA): a) facilitated the submission of a \$10,000 false claim to reimburse a student for an expense the student said he did not incur and b) directed a student to pay him a portion of other funds he helped obtain.

INVESTIGATION RESULTS – INITIAL ALLEGATION

A professor in the COTA facilitated the submission of a \$10,000 false claim to reimburse a student for an expense the student said he did not incur. In addition, the professor directed at least two students to pay him a portion of other funds he helped them obtain.

INVESTIGATION RESULTS – ANCILLARY FINDINGS

Other Payments to Students Deposited into Outside Bank Accounts Controlled by the Professor

- ▶ Payments to students totaling \$47,574, including payments authorized by the professor, were later deposited into outside bank accounts he controlled.

Lack of Oversight of Scholarship Awards

- ▶ The professor was allowed to unilaterally decide which students would receive scholarships from a particular account, and one student received \$31,700 in scholarships from the account.

Reimbursement Request Forms Lacked Claimant Signatures

- ▶ Various departments within COTA used forms that did not require claimants requesting reimbursements to sign the request.

INTRODUCTION

INITIAL ALLEGATION

It was alleged that a professor in the College of the Arts (COTA): a) facilitated the submission of a \$10,000 false claim to reimburse a student for an expense the student said he did not incur and b) directed a student to pay him a portion of other funds he helped obtain.

BACKGROUND

College of the Arts

The College of the Arts (COTA) at California State University, Long Beach (CSULB) is California's largest and most comprehensive publicly funded school for the arts, with more than 4,000 graduate and undergraduate majors. Within COTA are various departments including the Departments of Art, Dance, Design, Film and Electronic Arts, and Theater Arts, as well as the Bob Cole Conservatory of Music, the University Art Museum, and the Carpenter Performing Arts Center.

Requests for Payment of COTA Expenses

Depending upon their nature and available funding, COTA expenses may be paid from accounts maintained by the campus or by the CSULB Foundation (foundation). To request a payment, whether to pay an invoice, reimburse a claimant, or award a student scholarship, a request form must be completed (including appropriate approval signatures) and supported by appropriate documentation.

Scholarships

Students in COTA may be eligible for various scholarships. Students are given a list of available scholarships and invited to apply for them. In the professor's department, applications are reviewed by the department's scholarship committee. In addition, the professor discussed in this report was given the sole power to make scholarship awards from an account on which he had signature authority.

Company A

According to the professor, while working on a project at the campus, he and others put together students and contacts to begin to create an entity that would consistently serve students and their projects later. After a few of the students graduated and the professor and others helped them find jobs, the former students got together and formed a company (company A) that has, in addition to producing various other projects, provided equipment and services to other students. Public records indicate the company was established in 2007.

Campus Actions and Notifications

In late December 2009, a \$10,000 check request was submitted to COTA by the professor's department to reimburse a student (student 1) for a payment the student allegedly made to a vendor (company A). The request was approved by the department chair, but COTA administrators had questions and concerns about the request, in part because of the large dollar amount payable to a student and a lack of adequate supporting documentation. After making inquiries with the department chair, the professor, company A, and the student, COTA administrators still had concerns and did not approve the payment. Through their inquiries, additional questions arose pertaining to a scholarship payment made to the same student. After some preliminary research by CSULB Financial Services, on March 29, 2010, the campus notified the California State University Chancellor's Office of a suspected irregularity involving state funds. On April 5, 2010, the president contacted the chancellor 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, the \$10,000 request for reimbursement, and numerous other accounting records from accounts maintained by the campus and by the foundation, including scholarship payments to students dating back to March 2005. In addition, we interviewed campus and foundation employees as well as current and former students.

RESULTS OF INVESTIGATION

INVESTIGATION RESULTS – INITIAL ALLEGATION

A professor in the College of the Arts (COTA) department facilitated the submission of a \$10,000 false claim to reimburse a student for an expense the student said he did not incur. In addition, the professor directed at least two students to pay him a portion of the funds he helped them obtain.

\$10,000 False Claim

In December 2009, the professor submitted information to his department's administrative coordinator, asking her to process a \$10,000 reimbursement request to reimburse a student (student 1) for a payment the student allegedly made to a vendor (company A).¹ Although the claim was never paid, the professor knew that the payment to company A had actually been made via an account the professor controlled with funds from an individual who wanted to anonymously support the student's project. Therefore, by requesting that the campus reimburse student 1 for an expense the professor knew the student did not incur, the professor facilitated the submission of a false claim.

The administrative coordinator told us that, after the professor had submitted information to her for processing, she contacted him to verify what he wanted her to do and then proceeded to process the transaction. The department chair approved the request, but when the request was forwarded to COTA for review and approval, COTA administrators had concerns. Specifically, concerns included hourly rates as high as \$450 and the overall large dollar amount; not only did this seem to be a large sum of money for a student to have paid up front, but expenditures over \$5,000 require that a purchase order be approved prior to incurring the expense and that had not happened. In addition, the only supporting documentation originally submitted with the request was an invoice from company A with a handwritten notation that the invoice had been paid. When COTA administrators contacted the department chair to obtain additional information, he then provided a copy of the cashier's check that was allegedly used to pay the invoice.²

The check request indicated that the purpose was to reimburse the student \$10,000 for money he had paid to company A for work on a particular project. That project was under the direction of the department chair, and student 1 said he worked on the project for about 14 hours. The invoice from company A indicated they had provided \$17,025 in services, and after a \$7,025 discount, they billed for \$10,000. The handwritten note on the invoice indicated the invoice had been paid and noted a check number, but did not indicate who paid it. The \$10,000 cashier's check later provided to COTA matched the check number noted on the invoice. The check was payable to company A and indicated it was regarding the department chair and student 1 (both of whose names had appeared on the invoice).

A COTA staff member called the bank that issued the cashier's check to find out whether it had actually cleared. While she did not determine whether the check had cleared, the bank representative volunteered

¹ At the time we interviewed the professor, several months had passed since the submission of the claim and he said he did not recall submitting the request, but months earlier he had confirmed to another Chancellor's Office employee that he had done so.

² The department chair told us that the cashier's check was submitted with the initial request, but two COTA employees told us it was received only after they questioned the request. In addition, the date stamp on the cashier's check indicating when it was received by COTA was approximately three weeks after the date stamp on the request form. Therefore, we concluded the cashier's check was submitted after the original request.

the information that the professor was the holder of the account number listed on the check and from which the check was issued. Because he was not the project director, we asked the professor why he obtained the cashier's check to pay company A and what his role was in the project. The professor, who is also an attorney, told us that he had provided the cashier's check to company A in his role as an intermediary for a family member of student 1 who wanted to anonymously support the student's project, so the money from the family member was deposited to the professor's attorney-client trust account which he then used to obtain the cashier's check payable to company A.³ The professor declined to identify the family member or provide any bank records pertaining to the attorney-client trust account citing attorney-client privilege.

Student 1 said the first time he heard about the \$10,000 check was when department staff contacted him to request that he attend a meeting to discuss the \$10,000 reimbursement request. The department chair also told us that he did not have direct knowledge of where the \$10,000 cashier's check used to pay company A came from or who submitted the reimbursement request, though he nevertheless approved the request.

We asked the professor why, if the money used to pay company A came through his attorney-client trust account, the reimbursement request was completed to pay the student instead of the attorney-client trust account or the relative, and he said it was the student's money. We disagree with this statement because the student had not paid out any money and further, if the relative had wanted the student to have the money, they could have given it to him directly. The professor said the \$10,000 was repaid to the relative.

When questioned by campus representatives about the invoice, company A said that it had done half the work on the invoice and the balance of the invoice was for prepayment of future work. Campus representatives instructed company A to submit a revised invoice for the work actually completed. Although company A submitted a revised invoice, the description of work it said it completed was significantly different from what was listed on its original invoice. Company A later withdrew all its charges on the project. While the department chair provided us with his understanding or general sense of the work he thought company A had done, i.e., assigning staff and conducting research, he could not give us precise information about the work done by the company and suggested we talk to company A. However, both the owner of company A and another of its employees had already declined to meet with us. As a result, we were unable to determine the exact nature and extent of the work they claimed to have done or clarify what work specifically they were billing for.

Because the request for reimbursement submitted by the professor indicated the reimbursement should be made to student 1 even though the professor knew that the student had not paid out any money, we concluded it was a false claim. Moreover, because the department chair and company A representatives could not or would not provide specific details and support for the work allegedly completed and company A significantly changed its description of provided services and later withdrew all the charges, we did not find company A's invoice to be credible.

³ An attorney-client trust account is an account maintained at a bank, savings and loan, or credit union for the purpose of holding client funds.

As discussed in the following section, we also question the credibility of another company A invoice for work it claimed to have performed for another student who told us he had never heard of the company.

California Penal Code, Section 72, states that every person who, with intent to defraud, presents for allowance or payment any false or fraudulent claim or bill to any state board or officer authorized to pay the claim or bill is punishable either by imprisonment in the county jail or state prison, by fine, or both.

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

The Professor Directed at Least Two Students to Pay Him a Portion of the Funds They Obtained from the Foundation and the Campus

The professor authorized a \$7,000 payment from the foundation to student 1 as a Fall 2008/09 scholarship. Student 1 said that the professor had helped him obtain the \$7,000 scholarship check to help pay the student for his work on a play that was written and directed by the professor. According to the student, the professor instructed him to keep \$1,000 for his work and give him (the professor) \$6,000 to pay for a casting director and talent for the professor's play. Student 1 said when he questioned the professor about this, he was told "this is how we do this" and the student complied with the request, giving the professor two checks totaling \$6,000. The professor told us that what the student does with the money he is given is up to the student and that no one has given him money personally, but he also confirmed that this was a method he used to pay students and cover expenses for various projects and that he had been told by campus administrators to do it this way. Because the check was issued as a scholarship payment instead of payments made directly to vendors, the foundation did not assess its normal administrative fees on the money. The professor said he could not tell us what this particular check was for, but it might have been related to his play. The professor declined to provide documentation that would indicate how this money was used, citing attorney-client privilege.

The administrators we spoke with confirmed they were aware scholarship money was being used to pay students and fund projects but both denied having given directions to do so. Although other signatures were required to authorize scholarship payments, the professor had and used authority to award scholarships without an application or evaluation process, and he confirmed that he had been given sole power to make awards from one particular foundation account. Once such payments were made to the students, foundation and campus administrators had no control over how the money was used or whether it was spent in accordance with applicable policies.

A similar situation was described by another student who provided us with documentation of payments to the professor. Specifically, in July 2009, the student (student 8)⁴ received a reimbursement check from the campus for \$3,424. The check request form was approved by the former department chair and other administrators and represented that it was to reimburse the student for a payment he made via cashier's check to company A for work on a student project.⁵ An interview with the student revealed there were numerous irregularities with the request. Specifically, he said he had never heard of company A until he mentioned the company's name to him and he had not paid them to do any work on his student project.

⁴ Students 2 through 8 are discussed in the next section.

⁵ The form did not require the claimant's signature.

Submitted with the check request was an invoice from company A indicating the company performed \$8,824 in services for the student (which it discounted by \$5,400), including a particular type of storage. However, the student noted that his project did not include anything of that type to store. Moreover, the June 1, 2009, invoice indicated that it was “paid in full” even though the cashier’s check that was allegedly used to pay the invoice was dated the day after that, June 2, 2009. As mentioned previously, company A’s representatives declined to meet with us so we were unable to ask them about these irregularities, but similar to the situation with the \$10,000 invoice discussed earlier, we did not find company A’s invoice credible. Finally, the cashier’s check was payable to company A, and indicated it was regarding student 8; however, as was the case with the \$10,000 check request discussed previously, the check was drawn from the professor’s attorney-client trust account. When we asked the professor about this, it was not clear to us from his explanation why the cashier’s check to pay company A came from his attorney-client trust account or what documentation he may have used to determine the payment was for legitimate purposes.

The student said he could not remember very many specifics about how the funding and payment process worked, but the professor helped him secure funding for his project and he was supposed to deposit the \$3,424 check, keep his portion (\$1,000), and give the professor a check for the balance, which he did. The student’s personal check was made payable to the professor’s attorney-client trust account and stamped on the back with a pre-printed “for deposit only” stamp for that account. The student’s check to the professor cleared the student’s bank one week after he deposited the \$3,424 check.

When we asked the student if he had been given any explanation as to why the transaction was handled this way, he said the professor told him it was the only way to secure the money they were promised before it “went away.” When we asked the professor about this transaction, he explained that they attempt to balance the money that goes to each student for their projects, so there are times that money gets reallocated among the students and the students sometimes ask him to do the reallocating, which he does through his attorney-client trust account. For example, if one student comes in under budget on a project and another is over budget, the student who came in under budget may give some of the money they received to the over-budget student. The professor said that if money was deposited into his attorney-client trust account, it was because the student asked him to do it. However, when we followed up with student 8, while he said it was his understanding that the money was for some other students, he paid the \$2,424 to the professor’s attorney-client trust account at the professor’s direction.

Although this payment was allegedly to reimburse the student, as explained, the documentation submitted with the claim was not related to an expenditure made by the student. We were unable to determine conclusively who submitted the claim for reimbursement, but nevertheless concluded that it was a false claim. Further, the professor had knowledge of and involvement in the transaction from the outset based on the fact that the check used to support the claim came from the professor’s attorney-client trust account and the student’s statement that the professor told him that this was the only way to secure the money before it “went away.” In addition, the student said the professor directed him to pay the attorney-client trust account a portion of the total payment. Moreover, because the professor declined to provide details from his attorney-client trust account citing attorney-client privilege, we were unable to determine how the money was actually used or whether it was spent in accordance with applicable policies.

California Penal Code, Section 72, states that every person who, with intent to defraud, presents for allowance or payment any false or fraudulent claim or bill to any state board or officer authorized to pay the claim or bill is punishable either by imprisonment in the county jail or state prison, by fine, or both.

California Government Code, Section 8314, prohibits state officers and employees from using state resources for private gain or advantage or for an endeavor not related to state business. If the use of state resources is substantial enough to result in a gain or advantage to an officer or employee for which a monetary value may be estimated, or a loss to the state for which a monetary value may be estimated, the officer or employee may be liable for a civil penalty not to exceed \$1,000 for each day on which a violation occurs plus three times the value of the unlawful use of state resources.

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

INVESTIGATION RESULTS – ANCILLARY FINDINGS

Other Payments to Students Deposited into Outside Bank Accounts Controlled by the Professor

Payments to students totaling \$47,574, including payments authorized by the professor, were later deposited into outside bank accounts he controlled.

We found that 12 payments to students between March 2005 and July 2009 totaling \$47,574 were actually deposited into the professor's attorney-client trust account instead of into the students' accounts.⁶ According to the professor, the deposits were made at the students' direction. Most of the students signed declarations stating that "[a]ll school checks made out to me were received by me and deposited by me or on my behalf at my direction, and all disbursements of these funds were made by me or at my direction." These declarations were provided to us via the professor because several of the students declined to meet with us. However, this is still a cause of concern because none of the students completed paperwork to request the funds (the lack of a requestor's signature was a common practice and there was no signature line for them on the reimbursement forms being utilized; in addition, no student signatures were required to process scholarship payments) and 6 of the 12 checks were not endorsed by the students. As a result, there was no documentation indicating that the students actually requested or in many cases that they received the checks other than the general statements in their "declarations." Moreover, the professor told us that there were also instances when the administrative coordinator gave him checks payable to students so he could deliver them, an action which effectively bypassed another internal control. Because neither the professor nor the students were willing to provide a detailed accounting of the funds, we were unable to determine how the funds were actually spent.

The table on the following page provides a breakdown of the student checks we are aware of that were deposited into the professor's attorney-client trust account.

⁶ The professor is also an attorney and deposited these funds into two different "attorney-client trust accounts" he controlled.

Payments to Students Deposited into Outside Accounts Controlled by the Professor

Date	Payee*	Source	Amount^	Authorized Signer#		Purpose
3/9/05	Student 2	Foundation	\$ 3,000	Professor		Scholarship
1/22/07	Student 3	Foundation	\$ 7,400	Dept. Chair#		Scholarship
2/5/07	Student 3	Foundation	\$ 4,000	Dept. Chair		Scholarship
2/19/07	Student 3	Foundation	\$ 4,000	Professor		Scholarship
2/21/07	Student 4	Foundation	\$ 1,500	Dept. Chair		Scholarship
4/25/07	Student 3	Foundation	\$ 2,500	Dept. Chair		Scholarship
2/13/09	Student 5	Foundation	\$ 3,000	Dept. Chair		Scholarship
2/24/09	Student 6	Campus	\$ 6,750	Dept. Chair		Reimbursement
3/13/09	Student 3	Foundation	\$ 6,000	Professor		Scholarship
3/27/09	Student 5	Campus	\$ 3,500	Dept. Chair		Reimbursement
5/14/09	Student 7	Campus	\$ 3,500	Dept. Chair		Reimbursement
7/7/09	Student 8	Campus	\$ 2,424	Dept. Chair		Reimbursement
		TOTAL	\$47,574			

*Student 1 and the scholarship he received were discussed in the previous section.

^Student 8 actually received and deposited a check from the campus for \$3,424, but we reviewed additional documentation indicating the student subsequently wrote a check to the professor's attorney-client trust account for \$2,424. See previous section for further details.

#The Department Chair referred to in this section is the previous department chair, a different individual from the department chair referred to earlier in this report.

Just over half the total deposited to the attorney-client trust account, or \$23,900, was from five checks made payable to one student, student 3. Copies of the back of the cleared checks indicated that four of those five checks were endorsed by the student and made payable to the professor's attorney-client trust account. The fifth check was simply stamped "for deposit only" to the professor's attorney-client trust account. Because we would not provide specifics in advance of an interview, student 3 declined to meet with us, so we were unable to ask her directly why she endorsed her scholarship checks over to the professor's attorney-client trust account. All 12 payments were deposited into one of two attorney-client trust accounts under the professor's name. As noted above, the professor said the checks were deposited into his attorney-client trust account because the students requested it. However, while many of the students declined to meet with us, as discussed earlier in this report, student 1 and student 8 both said that the professor directed them to write checks to him or his attorney-client trust account.

The professor was the authorized signer on paperwork for three of the 12 payments; further, those payments and three others were made from an account for which the professor said he "was given sole power to make awards." The previous department chair also told us that the account was the professor's "separate account."

When we discussed the scholarship payments with the professor, he said that he had no gain or financial interest in the transactions and that there should be ledgers with the details of the account. We asked the professor to provide the details pertaining to the deposits and expenditures of each of these scholarships and he said that the information was covered by attorney-client privilege, but he would seek waivers of such privilege from the students. In each of the declarations we later received from the professor, the students each asserted privilege and stated, in part, these were production scholarship funds paid to them

at their request in order to cover costs and fees and personal expenses they expected to incur as well as to reimburse them for costs already incurred. However, despite our repeated requests for the accounting detail so that we could confirm how the funds were spent, the professor declined to provide it.

Further, although these were characterized as “scholarship” payments, the intention was often not only to pay students for their work, but to pay for other production expenses for university projects and activities such as a particular festival. The professor disagrees with calling these “university activities” because he believes they were “privately sponsored events...treated as personal to the sponsors and individuals involved.” However, this was money from donors that was paid to the students via foundation accounts and was therefore no longer private money. Further, both the former department chair and former dean agreed that these were university activities. The former dean said he could not understand how anyone could consider events such as this festival to be “personal” or “private.” He noted that the faculty and staff determine the contents of the event and the students help to manage the event. Although these payments were labeled as “scholarships,” they were intended to pay for various university activities and the university should therefore have the authority to determine how the funds were actually expended and whether such expenditures were in compliance with applicable laws, policies and procedures. Because the professor declined to provide the necessary information, we were unable to determine whether the funds were spent appropriately.

California Penal Code, Section 72, states that every person who, with intent to defraud, presents for allowance or payment any false or fraudulent claim or bill to any state board or officer authorized to pay the claim or bill is punishable either by imprisonment in the county jail or state prison, by fine, or both.

California Government Code, Section 8314, prohibits state officers and employees from using state resources for private gain or advantage or for an endeavor not related to state business.

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

Lack of Oversight of Scholarship Awards

The professor was allowed to unilaterally decide which students would receive scholarships from a particular account, and one student received \$31,700 in scholarships from the account.

Between November 2006 and June 2009, student 3 received \$31,700 in scholarship money via the foundation account from which the professor said he had the sole power to make awards.⁷ The professor signed the approval forms himself for at least \$16,800 of these payments.⁸ Further, \$23,900 of the total amount was deposited into the professor’s attorney-client trust account.

While other students also received money from the same account, student 3 received the most by far and students we spoke with felt she received preferential treatment from the professor. Because there was no

⁷ As explained earlier, the professor and other administrators confirmed that scholarship money was used as a way not only to pay students for work they did, but to pay other expenses related to various events.

⁸ Other signatures were technically required before the payments could be issued, but as noted previously, the professor made the decisions about the scholarship awards from this account.

application process and very little criteria for awarding of these so-called scholarships and the professor was allowed to unilaterally make the decisions as to who received the scholarships and in what amounts, it created at least the perception that student 3 received preferential treatment. Further, it creates at least the appearance that the professor had a conflict of interest because he made decisions to award money that later ended up in an account he controlled. Although the use of trust account funds is supposed to be at the direction of the clients and the clients in this case signed declarations stating all disbursements of the funds were made by them or at their direction, we were unable to verify that information or determine how the funds were spent because the clients and the professor declined to provide a detailed accounting of funds from his attorney-client trust account, citing attorney-client privilege.

Under California Government Code, Section 13400, et. seq., the following are elements of a satisfactory system of control: a plan of organization that provides segregation of duties appropriate for proper safeguarding of state agency assets; 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.

Reimbursement Request Forms Lacked Claimant Signatures

Various departments within COTA used forms that did not require claimants requesting reimbursements to sign the request.

When asking the campus to pay or reimburse for something that was purchased by an employee or student outside the standard procurement process, various departments sometimes used a “Request for University Check” form, which did not require the claimant to sign the form. As a result, a request to reimburse a student for an expenditure, such as the \$10,000 claim discussed at the beginning of this report, did not require that the student or other requestor sign the form. In many cases, the “requested by” section of the form was merely the typed name of the staff person who prepared the form, not the person actually making the request. Not having a clear trail showing who initiated the request creates a lack of accountability and makes it more difficult to determine who should address potential questions or concerns related to the request.

Under California Government Code, Section 13400, et. seq., the following are elements of a satisfactory system of control: a plan of organization that provides segregation of duties appropriate for proper safeguarding of state agency assets; 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. **False Claim**

We recommend that the campus:

- a. Require individuals requesting reimbursement to sign the request form, thereby certifying that they actually incurred the expense for which reimbursement is being requested.
- b. Take action to ensure that individuals responsible for approving payment requests are aware of the importance of following established procedures and having an understanding of what they are being asked to approve.
- c. Continue to scrutinize and follow up on questionable claims, as they did in this scenario.

Campus Response

We concur and recognize the importance of obtaining individual signatures and defining the role of the approving authority. Accordingly, in fall 2010, the campus revised the Direct Payment form and instructions and distributed these to the campus community as a component of the Delegation of Authority process. The form and instruction changes were communicated to all campus administrative service managers at their January 2011 monthly meeting, with a follow-up email to the meeting reiterating the changes. An additional email notification of these changes was sent to all individuals responsible for processing and approving these forms in March 2011. This new process requires a signature for both the requestor and the approver. The purpose of the form and the corresponding process for completion can be found in the campus administrative guidelines at:

http://daf.csulb.edu/admin_guidelines/policies/direct_payment.html.

To reinforce the signature requirement, the printed form restates the need for the requestor to actually sign the form and also defines the role of the approver. It defines the approver as acknowledging “certifying the funds are available for the expenditure and the expenditure is reasonable and necessary for the department’s operation and the university’s mission.”

2. **Professor Directed Students to Pay Him a Portion of the Money Obtained from the Foundation and the Campus**

See recommendations 1a, 1b, and 1c above.

In addition, we recommend that the campus:

- a. Clearly define what is considered a scholarship and ensure that there is a standardized process for scholarship applications and awards.

- b. Ensure that the process for selecting scholarship recipients is transparent and documented in order to avoid the appearance of potential conflicts of interest.
- c. Take action to ensure that faculty, staff, and students understand the terms under which the students receive scholarship and reimbursement payments and that once an appropriate payment is made to a student, faculty or staff are not to direct a student in regard to what to do with the money.

Campus Response

The campus recognizes the importance of integrity and transparency in its scholarship processes. The campus has already taken steps that address the recommendations. The financial aid office has been assigned responsibility for coordinating a campus-wide scholarship review process. Beginning fall 2010, all scholarship grantors were required to complete a Scholarship Profile approved by the appropriate administrator. This profile documents the criteria and selection process for the award. As part of this process, definitions for scholarships and other student payment types were established. A standardized process for the payment of the awards was established, including a required review by the financial aid office prior to disbursement. As we continue to improve the new processes, the campus will:

- Require all scholarship programs to re-certify the criteria and selection process for their award prior to payments being made during the 2011-12 academic year. As part of this process, the appropriate administrator will be required to certify by September 2011 that the selection process is transparent and is accurately described on the profile.
- Incorporate into our campus and student communication plan information on the appropriate use of scholarship funds by September 2011.
- Reinforce scholarship definitions and clarify conditions that cannot be placed on scholarships by September 2011.

3. Other Payments to Students Deposited into Outside Bank Accounts Controlled by the Professor

See recommendations 1 and 2 above.

Campus Response

Please see responses to recommendations 1 and 2 above.

4. Lack of Oversight of Scholarship Awards

See recommendations 1b, 1c, 2a, 2b, and 2c above.

Campus Response

Please see responses to recommendations 1 and 2 above.

5. Reimbursement Request Forms Lacked Claimant Signatures

See recommendations 1a, 1b, and 1c above.

Campus Response

Please see response to recommendation 1 above.



CALIFORNIA STATE UNIVERSITY, LONG BEACH

DIVISION OF ADMINISTRATION AND FINANCE

RECEIVED
UNIVERSITY AUDITOR

APR 29 2011

THE CALIFORNIA STATE
UNIVERSITY

April 29, 2011

Mr. Larry Mandel
University Auditor
The California State University
401 Golden Shore
Long Beach, California 90802

Re: Special Investigation – College of the Arts
Report 10-92

Dear Larry,

Attached is the California State University, Long Beach's response to the findings of Investigative Report 10-92, Special Investigation, College of the Arts. Should you have any questions, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary Stephens".

Mary Stephens
Vice President for Administration and Finance

cc: F. King Alexander, President, w/attachment
Andrew Jones, University Counsel, w/attachment
Sharon Taylor, Associate Vice President, Financial Management, w/attachment
Thomas Enders, Associate Vice President, Enrollment Services, w/attachment

**SPECIAL INVESTIGATION
COLLEGE OF THE ARTS
CALIFORNIA STATE UNIVERSITY,
LONG BEACH**

Investigative Report 10-92

1. False Claim

We recommend that the campus:

- a. Require individuals requesting reimbursement to sign the request form, thereby certifying that they actually incurred the expense for which reimbursement is being requested.
- b. Take action to ensure that individuals responsible for approving payment requests are aware of the importance of following established procedures and having an understanding of what they are being asked to approve.
- c. Continue to scrutinize and follow up on questionable claims, as they did in this scenario.

Campus Response

We concur and recognize the importance of obtaining individual signatures and defining the role of the approving authority. Accordingly, in fall 2010 the campus revised the Direct Payment form and instructions and distributed these to the campus community as a component of the Delegation of Authority process. The form and instruction changes were communicated to all campus administrative service managers at their January 2011 monthly meeting, with a follow up email to the meeting reiterating the changes. In addition, an additional email notification of these changes was sent to all individuals responsible for processing and approving these forms in March 2011. This new process requires a signature for both the requestor and the approver. The purpose of the form and the corresponding process for completion can be found in the campus administrative guidelines at: http://daf.csulb.edu/admin_guidelines/policies/direct_payment.html

To reinforce the signature requirement the printed form restates the need for the requestor to actually sign the form and also defines the role of the approver. It defines the approver as acknowledging “certifying the funds are available for the expenditure and the expenditure is reasonable and necessary for the department’s operation and the university’s mission.”

2. Professor Directed Students to Pay Him a Portion of the Money Obtained from the Foundation and the Campus

See recommendations 1a, 1b, and 1c above.

In addition, we recommend that the campus:

- a. Clearly define what is considered a scholarship and ensure that there is a standardized process for scholarship applications and awards.
- b. Ensure that the process for selecting scholarship recipients is transparent and documented in order to avoid the appearance of potential conflicts of interest.
- c. Take action to ensure that faculty, staff, and students understand the terms under which the students receive scholarship and reimbursement payments and that once an appropriate payment is made to a student, faculty or staff are not to direct a student in regard to what to do with the money.

Campus Response

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Campus Response

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Campus Response

Please see responses to recommendations 1 and 2 above.

5. Reimbursement Request Forms Lacked Claimant Signatures

See recommendations 1a, 1b, and 1c above.

Campus Response

Please see response to recommendation 1 above.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

May 9, 2011

CHICO

MEMORANDUM

DOMINGUEZ HILLS

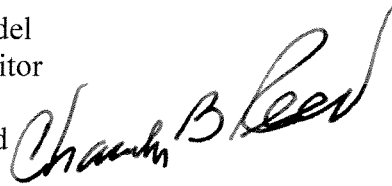
EAST BAY

TO: Mr. Larry Mandel
University Auditor

FRESNO

FULLERTON

FROM: Charles B. Reed
Chancellor



HUMBOLDT

SUBJECT: Draft Final Report 10-92, *Special Investigation – College of the Arts*, California State University, Long Beach

LONG BEACH

LOS ANGELES

In response to your memorandum of May 9, 2011, I accept the response as submitted with the draft final report of the *Special Investigation – College of the Arts*, California State University, Long Beach.

MARITIME ACADEMY

MONTEREY BAY

CBR/amd

NORTHRIDGE

POMONA

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS