

**DELEGATIONS OF AUTHORITY
CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO**

**Report Number 96-04
June 19, 1996**

Members, Committee on Audit

Ted J. Saenger, Chair

Bernard Goldstein, Vice Chair

Roland E. Arnall Ronald L. Cedillos

James H. Gray William Hauck Joan Otomo-Corgel

Ali C. Razi Frank Y. Wada Stanley T. Wang

Staff

Acting University Auditor: Larry Mandel

Audit Manager: Norman Buettner

**BOARD OF TRUSTEES
THE CALIFORNIA STATE UNIVERSITY**

CONTENTS

INTRODUCTION

Purpose	1
Scope and Methodology	1
Background	2
Opinion	4
Executive Summary	4

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

Agreements and Leases	5
Foundation Lease Agreements	5
Student Union Sub-Leases	5
Student Union Insurance Requirements	6
Short Term Facility Rentals	7
Short Term Facility Rental Rates	8
Motor Vehicle Inspections	8

APPENDICES

- Appendix A: Personnel Contacted
- Appendix B: Campus Response
- Appendix C: Chancellor's Acceptance

ABBREVIATIONS

AB	Assembly Bill
CSCR	California State Contracts Register
CSU	California State University
CSUSB	California State University, San Bernardino
CO	Chancellor's Office
DFEH	Department of Fair Employment and Housing
EC	Education Code
EDP	Electronic Data Processing
EO	Executive Order
GC	Government Code
IRS	Internal Revenue Service
ITR	Information Technology Resources
MVI	Motor Vehicle Inspector
OSMB	Office of Small and Minority Business
PCC	Public Contract Code
PSSO	Procurement and Support Services Officer
SB	Senate Bill
SUAM	State University Administrative Manual
UFR	University Facilities Request

INTRODUCTION

PURPOSE

Our principle audit objective was to review and analyze activities to assure that the CSU has acted responsibly under the delegations of authority established by Senate Bill 1828 (1986) and the extended delegation to campus presidents under AB 1911 (1993). The extended delegation of AB 1911 was circulated to the campus under Executive Order 615, Delegation of Acquisition Authority for Personal Property and Services, dated March 23, 1994.

SCOPE AND METHODOLOGY

This review emphasized, but was not limited to, compliance with state laws, Board of Trustee policies, and Office of the Chancellor, principally via the State University Administrative Manual (SUAM) and campus policies, letters and directives. Fiscal year 1995-96 was the primary period of review. Our focus involved the records and procedures within the purchasing Office and physical Plant. Specifically, we reviewed and tested the following areas:

- **Specific purchasing and contracting delegations via EO 615;**
- **Insurance;**
- **EDP and telecommunication acquisitions;**
- **Consultant contracts;**
- **Service orders;**
- **Small business procurement and contract policy;**
- **Motor vehicle inspections;**
- **Agreements and leases;**
- **Leasing campus real property;**
- **Contracts for the hiring of space for campus use;**
- **Property transactions and;**
- **Sale or exchange of personal property.**

We also followed up on the recommendations contained in Audit Report # 91-06, dated December 17, 1991, subject: Motor Vehicle Inspections & Real Property Transactions, CSU San Bernardino.

We have not performed any auditing procedures beyond the date of our report. Accordingly, our comments are based on our knowledge as of that date and should be read with that understanding.

BACKGROUND

In 1986, Senate Bill (SB) 1828 was passed. This bill extended indefinitely certain CSU delegations of authority concerning purchasing, contracting and other areas of Business Management. The bill's intent was to promote greater economy or efficiency in CSU operations. The extended delegation involves the following areas:

SB 1828 DELEGATIONS

SUBJECT	CODE CITATION
Motor Vehicle Inspections	EC 89031.5
Lease of Campus Property	EC 89046
Property transactions (real & personal), easements, rights-of-way, quit claims, and sale or exchange of personal property	EC 89048
Leasing non-university property for university use	EC 89048 (e)
Insurance	GC 11007.7
Purchases/Service Agreements under \$100,000	PCC 10295
Purchasing (Federal Surplus Real Property)	PCC 10389
Acquisitions of EDP and Telecommunications Goods and Services under \$100,000	PCC 12100.5

The bill also added section 89045 (d) to the Education Code. This section requires Trustees' Audit to do a complete audit of the aforementioned delegated subjects at least once every five years. The last audits of these delegated issues occurred during 1991. At that time the SB 1828 delegated items were divided into separate audits under the titles of *Purchasing and Contracting* and *Motor Vehicle Inspections and Real Property Transactions*. For 1996, the SB 1828 delegated subjects have been combined into one audit which is titled *Delegations of Authority*.

Executive Order 615, Delegation of Acquisition Authority dated March 23, 1994, delegated the procurement authority granted to the CSU under AB 1911 (chapter 1097, Statutes of 1993) to campus presidents. This EO delegates to each campus president the authority to execute and implement the following transactions without regard for dollar limits on behalf of the Board of Trustees:

- A. To purchase, lease or license personal property and incidental services related to the procurement of personal property.
- B. To enter into service contracts and consulting service agreements which are not in connections with a construction contract.
- C. To purchase information technology resource goods and services (previously referred to as electronic data processing and telecommunications) in accordance with the provisions of Public Contract Code 12100 et seq.

OPINION

We visited the CSU, San Bernardino campus from April 2 through April 25, 1996, and audited the procedures in effect at that time.

We found that, except for the items noted in the Executive Summary and in the detail of the report, compliance with legislative delegations, CSU and campus policies and procedures was satisfactory.

EXECUTIVE SUMMARY

The purpose of this section is to provide management with an overview of conditions requiring their attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [] refer to page numbers in the report.

AGREEMENTS AND LEASES

FOUNDATION LEASE AGREEMENTS [5]

Our review of auxiliary lease agreements with the university indicated that two expired Foundation agreements had not been resubmitted to the Chancellor's Office (CO) for review and approval in a timely manner. CO review and approval of agreements between the campus and the Foundation will assure that appropriate interests of the CSU, campus and auxiliary organization are protected.

STUDENT UNION SUB-LEASES [5]

The Student Union had not developed procedures to assure that sub-leases were forwarded to the CO for review and approval prior to their effective date. Prior review and approval by the CO will assure favorable contractual conditions among the auxiliary, campus and CSU. Subsequent to the exit conference, the SSU director provided us with a schedule indicating that the SSU Board of Directors would be acting on sub-lease renewals several months earlier in the year. This will allow for review and approval prior to the effective dates of the sub-leases.

STUDENT UNION INSURANCE REQUIREMENTS [6]

CSU insurance requirements were not met in sub-lease agreements between the Student Union and the ASI, Inc./outside vendors. Securing certificates of insurance at the beginning of the lease period and assuring they meet contractual requirements for the duration of the term reduces potential risk to the CSU, campus and auxiliary organization.

SHORT TERM FACILITY RENTALS [7]

The campus University Facilities Request (UFR) form was deficient in several areas. This is a repeat of a finding from our prior audit of this area. Including the required statements on the UFR reduces risk to the campus and the CSU from adverse publicity, misinterpretation and legal liability. Subsequent to the exit conference the campus provided us with a revised CSUSB Facilities Lease Agreement that positively addressed each of the noted deficiencies.

SHORT TERM FACILITY RENTAL RATES [8]

The campus was unable to provide presidential approval for current campus facility rental rates. Obtaining presidential approval of campus-wide fees will result in organizations being charged similar fees for use of facilities and reduce potential loss of revenues. Subsequent to the exit conference the campus provided us with a revised fee schedule that has been approved by the president.

MOTOR VEHICLE INSPECTIONS [8]

The campus motor vehicle inspection program was deficient in several areas. **Implementation of a written campus motor vehicle inspection program will improve the overall safety, efficiency and economic well being of the campus motor vehicle fleet. Subsequent to the exit conference the campus provided us with written motor vehicle inspection procedures that positively addressed each of the noted deficiencies.**

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

AGREEMENTS AND LEASES

FOUNDATION LEASE AGREEMENTS

Our review of auxiliary lease agreements with the university indicated that two expired agreements had not been resubmitted to the Chancellor's Office (CO) for review and approval in a timely manner. At the time of our visit, the basic agreement and lease between the campus and the Foundation had lapsed as of January 1, 1996. In addition, a ground lease between the campus and the Foundation's University Center for Developmental Disabilities (UCDD) had expired as of January 31, 1996.

SUAM Section 2701.01 requires that all agreements and leases between the campus and auxiliary organizations be submitted to the CO for review and approval prior to their finalization.

Discussions with the Procurement Support Services Officer and the Executive Director of the Foundation indicated uncertainty as to which office was responsible for initiating action to renew the existing leases and agreements, thus contributing to the lateness of the submission to the CO. Subsequent to the completion of our fieldwork, the campus provided evidence that the leases had been forwarded to the CO for review and approval.

Entering into agreements prior to the review and approval of the CO could result in unfavorable contractual conditions between the campus and the Foundation.

Recommendation 1

We recommend that the campus strengthen procedures to assure that leases between the campus and auxiliaries are submitted to the CO for review and approval prior to their effective dates.

Campus Response

The campus Purchasing and Foundation offices have implemented a schedule for renewing agreements in a timely manner to ensure agreements do not lapse prior to renewal. Additionally, this schedule will allow for adequate lead time for review by the Chancellor's Office.

STUDENT UNION SUB-LEASES

The Student Union had not developed procedures to assure that sub-leases were forwarded to the CO for review and approval prior to their effective date. The Student Union had entered into two sub-leases with off-campus organizations. In each instance the sub-lease had not been submitted to the CO for review and approval until several months after its effective date.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

SUAM Section 2710 indicates that agreements between auxiliary organizations and off-campus groups are subject to review and approval by the CO.

The director of the Student Union indicated that the lateness of the submissions was due to the Student Union board being requested to approve the sub-leases too late in the cycle to allow for completion by the effective date. During the course of the field visit, the director indicated that action would be initiated to move the Student Union board approvals up several months to provide sufficient time for processing.

Entering into sub-lease agreements prior to the review and approval of the CO could result in unfavorable contractual conditions among the auxiliary, campus and CSU.

Subsequent to the exit conference, the SSU director provided us with a schedule indicating that the SSU Board of Directors would be acting on sub-lease renewals several months earlier in the year. This will allow for review and approval by the CO prior to the effective dates of the sub-leases.

STUDENT UNION INSURANCE REQUIREMENTS

CSU insurance requirements were not met in sub-lease agreements between the Student Union and the ASI, Inc./outside vendors.

Our review of Student Union sub-lease agreements indicated that :

1. There was no Certificate of Insurance (COI) on file from one of the two off-campus vendors who were sub-leasing space in the Student Union.
2. The COIs for the ASI, Inc. and the other vendor did not contain the required language for additional insureds discussed in the sub-lease agreements. In addition, the ASI COI did not address sub-lease coverage related to workers compensation insurance.

SUAM Section 2520.03 et seq. addresses liability insurance provisions. In addition, the CSU Office of Risk management has cooperated on the publication of the CSU Insurance Requirements in Contracts Manual dated January 1993 which has been distributed to the campuses. Also, the sub-leases themselves contain specific insurance requirements.

Discussions with the Student Union director indicated that review of insurance coverage requirements had not been assigned to a specific individual.

Failure to secure COIs at the beginning of the contract/lease period—and assuring they meet contractual requirements for the duration of the term—increases potential risk to the auxiliary, campus and the CSU.

Recommendation 2

We recommend that the campus strengthen procedures to assure that:

- a. The Student Union obtain certificates of insurance from each vendor doing business as a sub-lessee; and**
- b. Student Union sub-lease COIs contain appropriate coverage, including additional insureds, at the outset through the end of the term.**

Campus Response

The Student Union will request copies of Certificates of Insurance detailing the appropriate coverage required as soon as the Board of Directors has approved any new subleases. The Student Union will also notify vendors before the expiration of a Certificate of Insurance to ensure that a new certificate is forwarded in a timely manner. Copies of all Certificates of Insurance will be forwarded to the campus procurement officer to ensure they contain appropriate coverage.

SHORT TERM FACILITY RENTALS

The campus University Facilities Request (UFR) form was deficient in several areas. This is a repeat of a finding from our prior audit of this area.

Our review indicated that the UFR did not include the following requirements:

- 1. A non-discrimination statement whereby the lessee affirms that his organizations constitution and bylaws do not restrict membership on the basis of color, race, religion, national origin, ancestry, sex age, or physical handicap.**
- 2. A statement indicating the property is not needed for campus purposes at the time covered by the lease, and that the lease will not interfere with the requirements of the campus.**
- 3. A provision prohibiting subleasing.**
- 4. A provision for insurance protection where risk is involved.**

SUAM Section 2710.02 requires each campus to only enter into agreements with organizations whose constitutions and by laws do not restrict membership on the basis of color, race, religion, national origin, ancestry, sex, age or physical handicap.

SUAM Section 2711.01 requires the inclusion of:

A statement indicating the property is not needed for campus purposes at the time covered by the lease, and that the lease will not interfere with the requirements of the campus; and

A provision prohibiting subleasing.

SUAM Section 2710 states, in part, that use of state property involving liability risk will be justified and appropriate insurance protection secured.

Although the campus is committed to non-discriminatory practices, they were unaware of the specific SUAM requirement. While some modifications were made to the existing UFR since the date of our last review, the statements noted above were inadvertently overlooked by the individual responsible for making the necessary revisions. During the course of our fieldwork, the campus initiated action to incorporate the necessary requirements into the UFR.

Not including the required statements on the UFR exposes the campus and the CSU to additional risk through adverse publicity, misinterpretation and legal liability.

Subsequent to the exit conference the campus provided us with a revised CSUSB Facilities Lease Agreement that positively addressed each of the noted deficiencies.

SHORT TERM FACILITY RENTAL RATES

The campus was unable to provide presidential approval for all current campus facility rental rates.

SUAM Section 2710.04 requires that the president approve a schedule of rental rates for the use of campus property and that schedule be on file in campus administrative offices.

At the time of our audit we found that the campus was working on revising the fee structures and related procedures. Work on these revised fees have reportedly been in process for the past several years. Some of the more recent changes in fees had not been submitted to the president for approval. Presidential approval of the fees were being delayed until all concerned departments in agreement as to appropriate fees and procedures.

Failure to establish currently approved campus-wide fees could result in organizations being charged different fees for use of facilities and/or potential loss of revenues.

Subsequent to the exit conference the campus provided us with a revised fee schedule that has been approved by the President.

MOTOR VEHICLE INSPECTIONS

The campus motor vehicle inspection program was deficient in several areas.

Our review indicated that:

- 1. Three of 20 vehicle files indicating acquisition since 1990 did not contain evidence that a predelivery inspection had taken place.**
- 2. Thirteen of the twenty vehicles reviewed had not always received timely safety and maintenance inspections. Scheduled maintenance criteria had not been established for electric and gas carts. We were, therefore, unable to determine whether they were receiving timely periodic safety and maintenance inspections.**
- 3. Evidence of pre- and post-repair inspections by the campus motor vehicle inspector was inconsistent. Repair information was not maintained in a manner that would aid the campus motor vehicle inspector in determining whether further repairs were necessary, economical or in the best interest of the campus/CSU.**
- 4. Daily operator checklists were not being utilized on a consistent basis.**

SUAM Section 2700 et seq., addresses the vehicle inspection process required in the CSU. The campus motor vehicle inspection program, for which the campus motor vehicle inspector (MVI) is responsible, must include: predelivery inspection; periodic safety/preventive maintenance inspection; repair inspection; survey inspection; operator inspection; safety inspection; and emissions control inspection.

The primary cause for the deficiencies noted was the fact that written motor vehicle inspection procedures had not been developed. These duties, assumed by the motor pool lead mechanic, were in addition to his responsibility for the maintenance of more than 100 vehicles. In addition, the lead mechanic was manually maintaining inspection data rather using a computerized program to facilitate data input and retrieval.

By not developing specific written procedures, the campus cannot assure that all aspects of the motor vehicle inspection program are being met.

Subsequent to the exit conference the campus provided us with written motor vehicle inspection procedures that positively addressed each of the noted deficiencies.

**APPENDIX A:
PERSONNEL CONTACTED**

<u>Name</u>	<u>Title</u>
Daryl Anderson	Director of Accounting
Arthur Butler	Executive Director, Administrative Services/Foundation
David DeMauro	Vice President, Administration and Finance
Carol Dixon	Director, Coussoulis Arena
Carol Dunlap	Director, Bookstore
James Hansen	Director, Physical Plant
John Hester	Coordinator, Events Scheduling Office
Tony Ichsan	Environmental Health & Safety Officer
Shannon Kelley	Accountant, Accounts Payable
Janice Lemmond	Procurement Support Services Officer
Ernie Paramo	Lead Auto Equipment Mechanic
Linda Pella	Administrative Secretary, Administration & Finance
Darla Rogers	Business Office Supervisor, Foundation
Helga Scovel	Director, Student Union
Kathy Shepard	Manager, Purchasing
William Takehara	Associate Vice President for Financial Operations, Budget