

DELEGATIONS OF AUTHORITY
CALIFORNIA STATE POLYTECHNIC UNIVERSITY,
POMONA

Report Number 01-18
December 13, 2001

Members, Committee on Audit

Shailesh J. Mehta, Chair
Stanley T. Wang, Vice Chair
Daniel N. Cartwright Murray L. Galinson
Harold Goldwhite Ricardo F. Icaza
Frederick W. Pierce, IV

Staff

University Auditor: Larry Mandel
Senior Director: Janice Mirza
Internal Auditor: Melanie Roco

BOARD OF TRUSTEES

THE CALIFORNIA STATE UNIVERSITY

CONTENTS

INTRODUCTION

Purpose.....	1
Scope and Methodology	2
Background	2
Opinion.....	4
Executive Summary	5

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

Personal Property and Services Procurement	7
Competitive Bidding.....	7
Insurance Requirements.....	8
Special Purchasing Issues.....	9
State Agency Buy Recycled Campaign	9
Small Business Reporting.....	10
Specific Contract Issues	11
Agreements and Leases	12
Motor Vehicle Inspections and Use.....	13

APPENDICES

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

ABBREVIATIONS

AB	Assembly Bill
BOT	Board of Trustees
Cal Poly Pomona	California State Polytechnic University, Pomona
CCR	California Code of Regulations
CIWMB	California Integrated Waste Management Board
CPDC	Capital Planning, Design and Construction
CS&P	Contract Services and Procurement
CSU	California State University
DMV	Department of Motor Vehicles
DVBE	Disabled Veteran Business Enterprise(s)
EO	Executive Order
MVI	Motor Vehicle Inspections
OSBCR	Office of Small Business Certification and Resources
P&SS	Procurement and Support Services
PMCP	Policy Manual for Contracting and Procurement
SABRC	State Agency Buy Recycled Campaign
SUAM	State University Administrative Manual

INTRODUCTION

PURPOSE

The overall audit objective was to review and analyze activities to assure that the California State University (CSU) has acted responsibly under the *Delegations of Authority* established by Senate Bill 1828 (1986) and expanded by Assembly Bill (AB) 1191 (1993) and to determine the adequacy of controls over the related processes to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

Within the overall audit objective, specific goals included determining whether:

- ▶ Administration and management of procurement activity provide an effective internal control environment, adequate local policies and operational procedures, current written delegations, and observance of good business practices in compliance with CSU policy.
- ▶ Sourcing options and alternatives are utilized to maximize purchasing leverage, achieve discounts, and reduce administrative costs; bidding requirements are enforced and adequately controlled; and campus policy maximizes advertising in the California State Contracts Register.
- ▶ Methods used to execute low-value purchases are properly delegated and adequately controlled and campus use of service orders is appropriate.
- ▶ Vendor protests, disputes, complaints, and exclusion from bidding are handled in accordance with CSU policy and maintenance of vendor data is adequate.
- ▶ Efforts are made to meet Disabled Veteran Business Enterprise (DVBE) and State Agency Buy Recycled Campaign (SABRC) goals; purchasing preferences are properly granted; and DVBE, small business, and California Integrated Waste Management Board (CIWMB) reporting is timely, accurate, and supportable.
- ▶ Purchase agreements are properly executed and include required conditions, provisions, certifications, and insurance requirements and Department of Fair Employment and Housing contract notification requirements are met.
- ▶ The campus motor vehicle inspection program and use of CSU-owned vehicles comply with CSU policies and regulations, including the designation of a vehicle inspector.
- ▶ Leasing activities are adequately controlled and comply with CSU policy and state regulations and leases are properly executed.
- ▶ The campus and chancellor's office correctly acquire and grant easements, rights-of-way, and quitclaims and the sale or exchange of personal property complies with CSU policy and the Education Code.

SCOPE AND METHODOLOGY

This review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor and campus policies, letters, and directives. June 2000 to date was the primary period of review.

Our primary focus involved the internal administrative, compliance, and operational controls over certain delegated purchasing and contracting activities, motor vehicle inspections, and real and personal property transactions. Specifically, we reviewed and tested:

- ▶ Specific purchasing, contracting, and leasing activities, delegations, and limitations.
- ▶ Sourcing options and alternatives, bidding procedures and exceptions, and contract advertising and reporting practices.
- ▶ Low-value purchase methods and controls.
- ▶ Handling of vendor protests, disputes, and complaints and vendor data maintenance.
- ▶ Preparation of DVBE, small business, and SABRC reports and goal attainment and purchase preferences granted.
- ▶ Execution of purchase agreements and leases.
- ▶ Motor vehicle inspection and use policies and controls.
- ▶ Easements, rights-of-way, and quitclaims and the sale or exchange of personal property.

BACKGROUND

The Committee on Audit, at its January 2001 meeting, directed the Office of the University Auditor to review the audit subject *Delegations of Authority*.

In 1986, Senate Bill 1828 extended indefinitely certain CSU delegations of authority concerning purchasing and contracting activities, motor vehicle inspections, and real and personal property transactions. The bill's intent was to promote greater economy and efficiency in CSU operations and was expanded by Assembly Bill 1191 in 1993. The bill also added Section 89045(d) to the Education Code:

(d) In addition, the internal audit staff shall perform audits, *at least once every five years*, of the activities of the California State University pursuant to §89031.5, §89046, and §89048 of the Education Code, §11007.7 of the Government Code, and §10295, §10389, and §12100.5 of the Public Contract Code.

The last series of similar audits occurred during 1996. Executive Order (EO) No. 615, *Delegation of Acquisition Authority for Personal Property and Services*, dated March 23, 1994, delegated the procurement authority granted to the CSU under AB 1911 to campus presidents. EO No. 667, *Acquisition of Personal Property and Services*, dated April 1, 1997, superseded EO No. 615 with expanded provisions contained in the newly created *CSU Policy Manual for Contracting and Procurement (PMCP)*. EO No. 760, *Procurement Cards*, dated October 16, 2000, delegated authority for the use of procurement cards to campus presidents.

The *CSU PMCP* states that CSU purchasing and contracting policies were adopted to form compliance with a variety of statutory and policy provisions found in the state of California statutory codes (i.e., Education Code, Public Contract Code, Government Code, etc.); Title 5, California Code of Regulations (CCR); the Standing Orders and Resolutions of the Board of Trustees; specific Trustee policy issued via chancellor executive orders and administrative policy memoranda. CSU contracting and procurement policies encompass the following fundamental principles:

- ▶ Recognition that the basic mission of the CSU is to support the teaching, research, and public service requirements for higher education for the people of the state of California.
- ▶ Recognition that the continued development and refinement of purchasing policies in accordance with good business judgment and best business practices is paramount to the effective and efficient total operations of the CSU.
- ▶ The firm belief that it is in the best interest of the CSU to limit, as much as possible, prescriptive policies and regulations and to provide maximum flexibility to, and accountability for, the adoption of local campus policies and procedures to ensure the cost-effective operation of campus business.
- ▶ Recognition that the policies contained in the *CSU PMCP* are intended to establish a baseline for compliance with state law and Trustee policy. It is the responsibility of the campus to determine the disposition of any issue not specifically addressed in the *CSU PMCP* or otherwise prescribed in law or regulation.

The *CSU PMCP* further states that the CSU is committed to maintaining high standards of performance based upon fair, ethical, and professional business practices. It is expected that each campus president and administrative staff will develop and adopt local campus policies and operational procedures, which further the implementation of Trustee policy presented within the *CSU PMCP*.

EO No. 691, *Motor Vehicle Inspections (MVI)*, dated November 23, 1998, issued in response to our previous review, updated and streamlined prior MVI requirements. The EO directs each campus to implement a motor vehicle inspection program, specifies eight guidelines that should be included, directs the president to assign the function to an individual, and requires that the chancellor's office be notified of the individual assigned. CSU policy concerning the use of motor vehicles is codified in *CSU Use of University and Private Vehicles Policies and Regulations* booklet, dated October 1995, which was issued via Technical Letter 95-19 from human resources administration.

EO No. 669, *Leases*, dated May 1, 1997, delegated the authority to execute leases of real property to campus presidents as either lessor or lessee without approval by the Office of the Chancellor subject to certain limitations and superseded a prior EO issued in 1983. The EO requires the use of standard provisions from model lease agreements, an assessment of risk of liability potential for each lease agreement, a competitive process for leasing to for-profit enterprises, an accounting for leases in the campus financial records, and maintenance of a central repository for all current lease agreements.

EO No. 409, *Purchase, Sale, Lease and License of Personal Property*, dated January 5, 1983, delegated authority to sell or exchange personal property to campus presidents and has been superseded except for Item B. The EO permits the sale or exchange of personal property when the campus president determines it is in the best interest of the CSU, and the transaction is based on fair market value.

State University Administrative Manual (SUAM) §9871, *Acquisition and Granting of Easements and Acceptance of Quitclaims*, sets forth the processing guidelines and responsibilities for such property transactions by the campus and the land records staff of the chancellor's office Capital Planning, Design and Construction (CPDC) department.

O P I N I O N

We visited the California State Polytechnic University, Pomona (Cal Poly Pomona) campus from July 23, 2001, through August 24, 2001, and audited the procedures in effect at that time.

In our opinion, the administration and management of the procurement and support services department was adequate to meet campus procurement needs, while the use and leasing of campus facilities to off-campus groups and motor vehicle use needed improvement. Additionally, our review disclosed certain conditions that could result in errors and irregularities if not corrected. Specifically, the campus required improvement in the following areas: competitive bidding; insurance requirements for the procurement of services and leases; required reporting for the SABRC and small businesses; and defensive driver's training. Areas in need of improvement are referenced in the executive summary.

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.

PERSO NAL PRO PERTY AND SERVICES PRO CUREMENT [7]

CO MPETITIVE BIDD ING [7]

Required competitive bids were not always obtained. Adherence to bidding requirements in the acquisition of goods increases the ability of the campus to promote competition; protects the public from the misuse of public funds; eliminates favoritism, fraud, and corruption; and facilitates obtaining goods at the lowest possible cost.

INSURANCE REQUIREMENTS [8]

Proof of contractor insurance was not always on file, and required language was missing from insurance certificates reviewed. Properly monitoring insurance coverage decreases the potential for loss to the campus and the California State University (CSU).

SPECIAL PURCH ASING ISSUES [9]

STATE AGENCY BUY RECYCLED CAMPAIGN [9]

Required contractor certifications were not obtained for the recycled content of commodity purchases, and the campus did not meet the prescribed legislative goals for the acquisition of recycled products in seven of ten reportable product categories. Obtaining contractor certifications results in compliance with state regulations, and meeting prescribed legislative goals ensures compliance with legislative mandates while reducing the amount of materials going to landfills.

SMA LL BUSINESS REPORTING [10]

Small business reports had not been filed since the quarter ending September 2000. Submission of reports ensures compliance with the Small Business Procurement and Contract Act.

SPECIFIC CONTRACT ISSUES [11]

Commodity purchase documents did not include a provision prohibiting the use of forced, convict, or indentured labor. Properly communicated terms and conditions ensure compliance with federal and state requirements and CSU policy.

AGREEMENTS AND LEASES [12]

Controls over the short-term leasing of state facilities did not ensure that currently approved fees were charged and required insurance coverage was in compliance with campus and CSU requirements. Adequate controls reduce the risk of outdated, unapproved rental rates, lost fee revenue, and uninsured damage to university property.

MOTOR VEHICLE INSPECTIONS AND USE [13]

Employees authorized to use university-owned vehicles were not required to complete a CSU-approved defensive driving course. Properly trained drivers reduce the potential for loss to the campus and ensure compliance with CSU policy.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

PERSONAL PROPERTY AND SERVICES PROCUREMENT

COMPETITIVE BIDDING

Required competitive bids were not always obtained.

Our review of 20 purchase transactions that required competitive bidding disclosed three instances where the campus was unable to provide documentation to demonstrate that the purchases had been bid. These included transactions for the purchase of commodities totaling \$19,826, \$19,089, and \$13,075 (purchased prior to January 10, 2001).

California State University (CSU) Policy Manual for Contracting and Procurement (PMCP) (Release 2.1) §301 states that all contracts for the acquisition of goods in the amount of \$25,000 or more (\$10,000 or more prior to January 10, 2001), subject to certain exclusions, shall be formally bid and awarded to the lowest responsible bidder meeting specifications.

The director of procurement and support services (P&SS) acknowledged that transactions described above were isolated to one former buyer who did not follow CSU and campus policy.

Failure to adhere to competitive bidding requirements in the acquisition of goods reduces the ability of the campus to promote competition; protect the public from misuse of public funds; eliminate favoritism, fraud, and corruption; and obtain goods at the lowest possible cost.

Recommendation 1

We recommend that the campus strengthen procedures to ensure adherence to CSU competitive bidding requirements as stipulated in the *CSU PMCP*.

Campus Response

We concur with the recommendation. All procurement personnel were briefed on the CSU formal bidding requirements, and recently hired buyers were provided a copy of the *Cal Poly Procurement and Support Service Operations Manual* and the *CSU Policy Manual for Contracting and Procurement*. Additionally, it is now our practice that senior level procurement colleagues within the unit periodically review bidding documents and ensure that appropriate procedures are followed.

Timeline: Complete

INSURANCE REQUIREMENTS

Proof of contractor insurance was not always on file, and required language was missing from insurance certificates reviewed.

Our review of 17 purchase transactions disclosed the following:

- ▶ Proof of insurance could not be located for 4 of the 17 (24%) purchase transactions reviewed.
- ▶ Certificates of insurance submitted by 7 of the 13 (5%) vendors that submitted certificates were not in compliance with Executive Order (EO) No. 743 in one or more respects. Seven certificates did not include language for additional insured parties, and three certificates showed a less than 30-day cancellation notice.

CSU PMCP (Release 2.1) §230.03 states that evidence of proper insurance coverage is required for any campus or auxiliary organization contract involving any activities that put the state, the CSU, or the campus at risk.

EO No. 743, *CSU Insurance Requirements*, dated May 5, 2000, states that the contractor, consultant, or vendor must be required to show evidence of adequate insurance coverage by furnishing a certificate of insurance, including a 30-day cancellation notification requirement; acceptability of the insurer's rating; and the CSU, the Trustees, the campus, and their officers, employees, volunteers, and agents as additional insured.

The P&SS director acknowledged that critical staff shortages and the campus commitment to PeopleSoft implementation as a first wave campus significantly impacted operational effectiveness in the insurance area during fiscal year 2000/2001.

Failure to properly monitor insurance coverage increases the potential for loss to the campus and the CSU.

Recommendation 2

We recommend that the campus strengthen procedures over the maintenance of contractor proof of insurance.

Campus Response

We concur with the recommendation. The University has developed and implemented an insurance review program in procurement to ensure that adequate proof of insurance is obtained, and maintained for appropriate contractual activities.

Timeline: Complete

SPECIAL PURCHASING ISSUES

STATE AGENCY BUY RECYCLED CAMPAIGN

Required contractor certifications were not obtained for the recycled content of commodity purchases, and the campus did not meet the prescribed legislative goals for the acquisition of recycled products in seven of ten reportable product categories.

CSU PMCP (Release 21) §303.01 states that campus procurement offices, to the maximum extent economically feasible, shall strive to meet or exceed the legislative goals and timetables prescribed by the California legislature for the acquisition of recycled products. Further, contractors shall be required to certify in writing the minimum percentage, if not the exact percentage, of post-consumer and secondary material in the materials, goods, or supplies provided or used. This certification shall be furnished under penalty of perjury (Public Contract Code §12205, §10233, §10308.5, and §19354). The legislature has established recycled product procurement goals for both state agencies in general and the CSU in particular within §12205 and §10860 of the Public Contract Code. The State Agency Buy Recycled Campaign (SABRC) Procurement Plan shall be completed with these goals in mind.

The P&SS director stated that the campus had been submitting its annual reports to the California Integrated Waste Management Board (CIWMB), but acknowledged that the campus had not obtained contractor certifications or met all the goals defined in the SABRC.

Failure to require contractor certifications results in noncompliance with state regulations, while not meeting mandated goals increases the risk of noncompliance with legislative mandates and negatively impacts efforts to reduce the amount of materials going to landfills.

Recommendation 3

We recommend that the campus:

- a. Require contractors to certify in writing the minimum percentage, if not the exact percentage, of post-consumer and secondary material in the materials, goods, or supplies provided or used.
- b. Develop a plan of action to improve compliance with legislatively prescribed goals.

Campus Response

We concur with the recommendations.

- a. The University has coordinated with the CSU Contract Services and Procurement office and system Procurement and Support Service officers, on the contractor certification and reporting requirements of the California Integrated Waste Management Board (CIWMB). The contractor will be required to certify in writing the percentage of materials used.

Timeline: Complete

- b. The department actively strives to either meet or exceed established legislative goals and will appoint a senior level procurement professional as the recycled acquisition and reporting coordinator for the campus in an effort to improve performance. A major element of the assignment will be development of an action plan to improve compliance with legislatively prescribed goals.

Timeline: July 1, 2002

SMALL BUSINESS REPORTING

Small business reports had not been filed since the quarter ending September 2000.

CSU PMCP (Release 2.1) §216 states that each campus must report to the Office of Small Business Certification and Resources (OSBCR) annually on the number and amount of contracts and purchase orders awarded to small businesses. This report is to be sent by campuses directly to OSBCR, with a copy to the chancellor's office Contract Services and Procurement (CS&P) department by August 1 of each year. However, a memo from CS&P, dated October 5, 1999, notified the campuses that reporting should be quarterly, effective July 1, 1999.

California Code of Regulations (CCR) Title 2 §1896.8, *Department of General Services*, states that to assist the Office of Small and Minority Business and the Department of General Services in preparing reports and compiling information in accordance with the Small Business Procurement and Contract Act, all state agencies shall submit reports at such intervals and upon such formats as requested by the Department of General Services.

The P&SS director stated that due to recent staff turnover, preparation of small business reports was delayed.

Failure to submit small business reports, as required, results in noncompliance with the Small Business Procurement and Contract Act.

Recommendation 4

We recommend that the campus complete the missing small business reports and establish procedures to complete future reports in compliance with current reporting guidelines.

Campus Response

We concur with the recommendation. The missing small business report was prepared and forwarded, and future reports will be prepared and submitted in a timely manner. The department has appointed a

small business coordinator, and a major element of the assignment is to ensure accurate and timely reporting.

Timeline: Complete

SPECIFIC CONTRACT ISSUES

Commodity purchase documents did not include a provision prohibiting the use of forced, convict, or indentured labor.

Our review of 46 commodity purchase documents disclosed that none of the documents included provisions to prohibit forced, convict, or indentured labor in the production of foreign-made equipment, materials, or supplies.

CSU PMCP (Release 2.1) §303.05 states that every contract for the procurement of state equipment, materials, or supplies, other than procurement related to a public works contract, shall specify that no foreign-made equipment, materials, or supplies furnished to the state pursuant to the contract may be produced in whole or in part by forced labor, convict labor, or indentured labor under penal sanction.

The P&SS director acknowledged that the campus forms utilized in fiscal year 2000/2001 for purchase orders did not include this condition.

Not adequately communicating all required terms and conditions increases the risk that certain federal and state requirements will not be met and may result in noncompliance with CSU policy.

Recommendation 5

We recommend that the campus revise commodity purchase documents to include a provision related to prohibiting the use of forced, convict, or indentured labor.

Campus Response

We concur with the recommendation. Purchase documents include, either in full text or by reference, the standard CSU terms and conditions, to include provisions prohibiting the use of forced, convict, or indentured labor.

Timeline: Complete

AGREEMENTS AND LEASES

Controls over the short-term leasing of state facilities did not ensure that currently approved fees were charged and required insurance coverage was in compliance with campus and CSU requirements.

We noted that:

- ▶ The campus *Scheduling and Use of Campus Facilities and Space Policy* showed that the last approved rate change was done in 1982 by the chancellor's office; however, rental rates for music department facilities were not included in these approved rates.
- ▶ Rental fees for 2 of the 18 (11%) events reviewed did not agree with the fee schedule.
- ▶ Certificates of insurance for 8 of the 18 (44%) leases reviewed did not contain the proper language to include the trustees as additional insured, four (22%) did not contain the required 30-day cancellation notification, and one insurance carrier did not meet the acceptability of insurer's rating.

EO No. 669, *Leases*, dated May 1, 1997, states, in part, that authority is delegated to the campus president or designee subject to certain exceptions to execute leases of real property as either lessor or lessee. Further, when the university acts as the lessee, provisions of the standard model lease agreements, which address the issue of liability, should be included.

Standing Orders of the CSU Board of Trustees (BOT), Chapter III §6, states that the chancellor is to establish all new fees; and subject to overall direction of the BOT and the chancellor, the campus president is authorized to increase, decrease, or abolish campus fees.

EO No. 743, *CSU Insurance Requirements*, dated May 5, 2000, states that the contractor, consultant, or vendor must be required to show evidence of adequate insurance coverage by furnishing a certificate of insurance, including a 30-day cancellation notification requirement; acceptability of the insurer's rating; and the CSU, the Trustees, the campus, and their officers, employees, volunteers, and agents as additional insured.

The P&SS director stated that the campus recently executed an agreement with DMG Maximus to perform a detailed facility use cost study and hired a facilities lease coordinator to oversee the program.

Inadequate controls over the leasing of state facilities increase the risk of outdated, unapproved rental fees, lost fee revenue, and uninsured damage to university property.

Recommendation 6

We recommend that the campus:

- a. Review the rental fee schedule, update as necessary, and obtain approval from the campus president or his designee.
- b. Establish procedures to ensure that rental fees are charged in accordance with the fee schedule, exceptions to the approved rental fee schedule are properly documented, and adequate proof of insurance coverage is obtained.

Campus Response

We concur with the recommendation.

- a. The University has completed cost studies in facilities management and public safety. At the present time, the Use and Lease of Facilities program is being reviewed and updated with the assistance of a specialized consultant. As part of this engagement, the rates will be reviewed and revised where necessary and appropriately approved.
- b. The lease of facilities coordinator has revised procedures to ensure that fees are appropriately charged and documented and that adequate proof of insurance is obtained and maintained.

Timeline: April 1, 2002

MOTOR VEHICLE INSPECTIONS AND USE

Employees authorized to use university-owned vehicles were not required to complete a CSU-approved defensive driving course.

The *CSU Use of University and Private Vehicles Policies and Regulations*, dated October 1995, states, in part, that the campus control office must determine that the person has satisfactorily completed a CSU-approved defensive driving course and maintains an accident-free good driving record before releasing a university vehicle to an employee or authorizing an employee to use a private or personal vehicle on official university or state business.

The director of risk management services stated that it was her understanding from communication with the California Office of Risk and Insurance Management that defensive driver's training was no longer mandatory.

Failure to properly control the use of university-owned vehicles increases the risk of use by poorly trained drivers, potential loss to the campus, and noncompliance with CSU policy.

Recommendation 7

We recommend that the campus develop a comprehensive listing of all employees authorized to drive university vehicles and establish procedures to ensure completion of a CSU-approved defensive driving course.

Campus Response

We concur with the recommendation. Risk Management Services maintains the records of all University personnel that may drive in the course and scope of their employment. Currently, we have approximately 1,800 employees in the Department of Motor Vehicles (DMV) Pull Program. This program enables us to monitor an employee's driving record. The University is provided an annual update of each employee's driving record from the DMV, as well as a written report any time there is any activity, such as a citation.

Risk Management Services is establishing training protocols and estimate that training will begin by February 2002 for employees that drive frequently on state business.

Timeline: February 18, 2002

**APPENDIX A:
PERSONNEL CONTACTED**

<u>Name</u>	<u>Title</u>
Bob H. Suzuki	President
Anita Aguirre	Administrative Analyst Specialist
Gay Butcher	Buyer III, Procurement and Support Services
Patricia L. Farris	Vice President, Administrative Affairs
Donald Green	Director, Procurement and Support Services
Kathy M. Harper	Secretary, Finance and Administrative Services
Sharon Hinrichsen	Administrative Operations Analyst, Procurement and Support Services
Joan Horn	Buyer, Procurement and Support Services
Melody Kojima	Buyer, Procurement and Support Services
Darwin Labordo	Associate Vice President, Finance and Administrative Services
George A. Lwin	Director, Facilities Management
Marissa M. Martinez	Administrative Support Assistant
Larry W. McLerran	Auto Shop/Warehouse Supervisor, Facilities Management
Sharon Reiter	Director, Risk Management Services
Debra Schneck	Contracts Administrator, Procurement and Support Services
J.R. Yoder	Lead Auto Mechanic, Facilities Management



Office of the Vice President
for Administrative Affairs

January 18, 2002

RECEIVED
University Auditor

JAN 25 2002

**The California State
University**

Mr. Larry Mandel,
University Auditor
California State University
401 Golden Shore, 4th Floor
Long Beach, California 90802

Dear Mr. Mandel:

Subject: Delegation of Authority Audit Report Number 01-18

Attached please find our status report regarding the recommendations in Audit Report Number 01-18, Delegation of Authority. We believe the University has completed recommendations one, two, three a, four and five. A table is also attached, summarizing the state of completion in each recommendation.

If you require additional information or clarification, please feel free to contact Darwin Labordo at (909) 869-2008 or via e-mail at Dlabordo@csupomona.edu.

Sincerely,

Ms. Patricia L. Farris
Vice President for Administrative Affairs

Cc: President Bob Suzuki
Darwin Labordo, Associate Vice President, Finance & Administrative Services
Donald W. Green, Director, Procurement and Support Services

Campus Documentation to Support
Response to Recommendations of Audit Report Number 01-18
Delegation of Authority
January 18, 2002

**PERSONAL PROPERTY AND SERVICES PROCUREMENT
COMPETITIVE BIDDING**

Recommendation 1: We recommend that the campus strengthen procedures to ensure adherence to CSU competitive bidding requirements as stipulated in the CSU PMCP.

Campus Response:

We concur with the recommendation. All procurement personnel were briefed on the CSU formal bidding requirements, and recently hired buyers were provided a copy of the Cal Poly Procurement and Support Service Operations Manual and the CSU Policy Manual for Contracting and Procurement. Additionally, it is now our practice that senior level procurement colleagues within the unit periodically review bidding documents and ensure that appropriate procedures are followed.

Timeline: Complete

INSURANCE REQUIREMENTS

Recommendation 2: We recommend that the campus strengthen procedures over the maintenance of contractor proof of insurance.

Campus Response:

We concur with the recommendation. The University has developed and implemented an insurance review program in Procurement to ensure that adequate proof of insurance is obtained, and maintained for appropriate contractual activities.

Timeline: Complete

**SPECIAL PURCHASING ISSUES
STATE AGENCY BUY RECYCLED CAMPAIGN**

Recommendation 3: We recommend that the campus:

- a. Require contractors to certify in writing the minimum percentage, if not the exact percentage, of post-consumer and secondary material in the materials, goods, or supplies provided or used.
- b. Develop a plan of action to improve compliance with legislatively prescribed goals.

Campus Response:

We concur with the recommendations.

- a. The University has coordinated with the CSU Contract Services and Procurement office and system Procurement and Support Service officers, on the contractor certification and reporting

requirements of the California Integrated Waste Management Board (CIWMB). The contractor will be required to certify in writing the percentage of materials used.

Timeline: Complete

- b. The department actively strives to either meet or exceed established legislative goals, and will appoint a senior level procurement professional as the Recycled Acquisition and Reporting Coordinator for the campus in an effort to improve performance. A major element of the assignment will be development of an action plan to improve compliance with legislatively prescribed goals.

Timeline: July 1, 2002

SMALL BUSINESS REPORTING

Recommendation 4: We recommend that the campus complete the missing small business reports and establish procedures to complete future reports in compliance with current reporting guidelines.

Campus Response:

We concur with the recommendation. The missing small business report was prepared and forwarded, and future reports will be prepared and submitted in a timely manner. The department has appointed a Small Business Coordinator and a major element of the assignment is to ensure accurate and timely reporting.

Timeline: Complete

SPECIFIC CONTRACT ISSUES

Recommendation 5: We recommend that the campus revise commodity purchase documents to include a provision related to prohibiting the use of forced, convict, or indentured labor.

Campus Response:

We concur with the recommendation. Purchase documents include, either in full text or by reference, the standard CSU terms and conditions, to include provisions prohibiting the use of forced, convict, or indentured labor.

Timeline: Complete

AGREEMENTS AND LEASES

Recommendation 6: We recommend that the campus:

- a. Review the rental fee schedule, update as necessary, and obtain approval from the campus president or his designee.
- b. Establish procedures to ensure that rental fees are charged in accordance with the fee schedule, exceptions to the approved rental fee schedule are properly documented, and adequate proof of insurance coverage is obtained.

Campus Response:

We concur with the recommendation.

- a. The University has completed cost studies in Facilities Management and Public Safety. At the present time, the Use and Lease of Facilities program is being reviewed and updated with the assistance of a specialized consultant. As part of this engagement, the rates will be reviewed and revised where necessary and appropriately approved.
- b. The Lease of Facilities Coordinator has revised procedures to ensure that fees are appropriately charged and documented, and that adequate proof of insurance is obtained and maintained.

Timeline: April 1, 2002

MOTOR VEHICLE INSPECTIONS AND USE

Recommendation 7: We recommend that the campus develop a comprehensive listing of all employees authorized to drive university vehicles and establish procedures to ensure completion of a CSU-approved defensive driving course.

Campus Response:

We concur with the recommendation. Risk Management Services maintains the records of all University personnel that may drive in the course and scope of their employment. Currently, we have approximately 1,800 employees in the DMV Pull Program. This program enables us to monitor an employee's driving record. The University is provided an annual update of each employee's driving record from the DMV, as well as a written report any time there is any activity, such as a citation.

Risk Management Services is establishing training protocols and estimate that training will begin by February 2002 for employees that drive frequently on state business.

Timeline: February 18, 2002

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

February 15, 2002

CHANNEL ISLANDS

CHICO

MEMORANDUM

DOMINGUEZ HILLS

FRESNO

TO: Larry Mandel
University Auditor

FULLERTON

HAYWARD

FROM: Charles B. Reed
Chancellor

HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 01-18 on *Delegations of Authority*,
California State Polytechnic University, Pomona

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of February 15, 2002, I accept the response as submitted with the draft final report on *Delegations of Authority*, California State Polytechnic University, Pomona.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/ac

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Ms. Patricia L. Farris, Vice President for Administrative Affairs
Dr. Bob H. Suzuki, President

SAN DIEGO

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS