

**DELEGATIONS OF AUTHORITY**

**SYSTEMWIDE**

**Audit Report 06-13**

**April 20, 2007**

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## **ABBREVIATIONS**

|      |   |
|------|---|
| AB   | Assembly Bill                                 |
| BOT  | Board of Trustees                             |
| CO   | Chancellor's Office                           |
| CSU  | California State University                   |
| DFEH | Department of Fair Employment and Housing     |
| DVBE | Disabled Veteran Business Enterprise          |
| EO   | Executive Order(s)                            |
| PMCP | Policy Manual for Contracting and Procurement |
| SAM  | State Administrative Manual                   |
| SB   | Senate Bill                                   |
| SUAM | State University Administrative Manual        |

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## **EXECUTIVE SUMMARY**

The Committee on Audit, at its January 2006 meeting, directed the Office of the University Auditor to review the audit subject *Delegations of Authority*. Delegations of Authority was previously audited in 2001.

We visited eight campuses and the chancellor's office (CO) from February 6, 2006, through November 3, 2006, and audited the procedures in effect at that time. Campus and CO specific findings and recommendations have been discussed and reported individually.

In our opinion, the delegation of authority function at the eight campuses visited and the CO provided reasonable assurance that the California State University (CSU) was in compliance with applicable regulations and CSU policy. However, the controls over contract certification of recycled material, contract notification requirements, execution of purchase documentation, service provider insurance requirements, campus-owned vehicles, campus leasing of university facilities, and disposal of personal property needed improvement.

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

### **SPECIAL PURCHASING ISSUES [7]**

Required contractor certifications were not consistently obtained for the recycled content of commodity purchases at all eight campuses visited.

### **SPECIFIC CONTRACT ISSUES [7]**

The Department of Fair Employment and Housing contract notification requirements were not met at five of the eight campuses visited and the CO. This is a repeat finding from the last Delegations of Authority audit.

### **PROCUREMENT OF SERVICES AND PERSONAL PROPERTY [8]**

Purchase documentation was not properly approved at three of the eight campuses visited and the CO. In addition, adequate proof of insurance was not always on file and/or coverage dates did not extend through the dates of service at four of the eight campuses visited and the CO. This is a repeat finding from the last Delegations of Authority audit.

### **MOTOR VEHICLE INSPECTIONS AND USE [10]**

Campus motor vehicle inspection programs did not ensure adequate preventative maintenance and lacked some required elements at seven of the eight campuses visited and the CO. This is a repeat finding from the last Delegations of Authority audit.

## **AGREEMENTS AND LEASES [11]**

Controls over short-term leasing of state facilities did not ensure current fees were properly approved and charged, delegation of authority to execute leases was current, insurance coverage complied with CSU requirements, and policies and procedures were current at seven of the eight campuses visited. This is a repeat finding from the last Delegations of Authority audit.

## **PROPERTY [13]**

Administration over the sale/disposal of personal property did not ensure adequate documentation and approval at four of the eight campuses visited.

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## INTRODUCTION

### **BACKGROUND**

In 1986, Senate Bill (SB) 1828 extended indefinitely certain California State University (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 (AB) 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 CSU pursuant to Sections 89031.5, 89036, 89046, and 89048 of the Education Code and Section 11007.7 of the Government Code.

Executive Order (EO) 615, *Delegation of Acquisition Authority for Personal Property and Services*, dated March 23, 1994, delegated the procurement authority granted to the CSU under AB 1191 to campus presidents. EO 667, *Acquisition of Personal Property and Services*, dated April 1, 1997, superseded EO 615 with expanded provisions contained in the newly created *CSU Policy Manual for Contracting and Procurement (PMCP)*. EO 775, *Acquisition of Personal Property and Services*, dated June 6, 2001, superseded EO 667 to include delegation of authority to acquire information technology resources. EO 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 are 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; the Standing Orders and Resolutions of the Board of Trustees (BOT); specific Trustee policy issued via chancellor Executive Orders and administrative policy memoranda. CSU contracting and procurement policies encompass the following fundamental principals:

- ▶ 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 691, *Motor Vehicle Inspections*, dated November 23, 1998, issued in response to our 1996 review, updated and streamlined prior motor vehicle inspection 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 Policy Guidelines* booklet dated March 2002, which was issued via Technical Letter 2002-16 from human resources administration.

EO 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 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) §9018, *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 department.

The primary objective in this audit will be to review and analyze activities to assure that the CSU has acted responsibly under the delegations of authority listed in Executive Orders 775, 760, 691, 669, and 409 and applicable *CSU PMCP* and SUAM §9018 requirements. Specific areas to be covered will include, but not be limited to: certain purchasing and contracting issues; commodity, information technology resources and services acquisitions; consultant contracts; service orders; small business and other special purchasing issues; motor vehicle inspections and use; agreements and leases; leases of real property as either lessor or lessee; easements, right-of-way, and quitclaim transactions; and the sale or exchange of real and personal property.

## **PURPOSE**

Our overall audit objective was to review and analyze activities to assure that the CSU has acted responsibly under the *Delegations of Authority* established by SB 1828 (1986) and expanded by 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 used 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 Buy Recycled goals; purchasing preferences are properly granted; and DVBE, small business, and Buy Recycled 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 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 campuses and the chancellor's office correctly acquired and granted 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**

The scope of the audit, as presented at the February 1, 2006, meeting of the Committee on Audit, included, but was not limited to, the review of procurement, the use of the California State Contracts Register, recycling efforts, motor vehicle use, leasing activities, and rights of way. *Delegations of Authority* is a mandated audit and is required by the Education Code at least once every five years.

Our study and evaluation were conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors, and included the audit tests we considered necessary in determining that operational and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with state and federal laws, BOT policies, and Office of the Chancellor and campus policies, letters, and directives. The audit review focused on procedures in effect from January 2005 through September 2006. In instances when it was necessary to review annualized data, fiscal year 2005/06 was the primary period reviewed.

We focused primarily upon the internal administrative, compliance, and operational controls over delegation of authority and contracting activities, motor vehicle inspection, 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.
- ▶ Contract advertising and reporting practices.
- ▶ Low-value purchase methods and controls.
- ▶ Handling of vendor protests, disputes, and complaints.
- ▶ Maintenance of vendor data.
- ▶ Granting of purchase preferences.
- ▶ Preparation of DVBE, small business, and Buy Recycled reports and goal attainment.
- ▶ 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.

During the course of the audit, we visited the chancellor's office (CO) and eight campuses: Bakersfield, Long Beach, Los Angeles, Monterey Bay, San Francisco, San José, San Marcos, and Stanislaus. We interviewed campus and CO personnel and audited procedures in effect at that time.

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## **OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES**

### **SPECIAL PURCHASING ISSUES**

Required contractor certifications were not consistently obtained for the recycled content of commodity purchases at all eight of the campuses visited.

Public Contract Code §12205 states that 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. The certification shall be provided regardless of content, even if the product contains no recycled materials.

Management at four campuses stated that despite campus follow-up, the contractors did not send the contractor certifications. Other campus management cited system problems, staff turnover, and a need to strengthen compliance.

Failure to consistently obtain contractor certifications for the recycled content of commodity purchases increases the risk of non-compliance with state regulations.

#### **Recommendation 1**

We recommend that the chancellor's office (CO) remind the campuses of the importance of obtaining contractor certifications for the recycled content of commodity purchases.

#### **Management Response**

We concur. The chancellor's office will remind the campuses and CO personnel of the importance of obtaining contractor certifications for the recycled content of commodity purchases.

This will be completed by June 1, 2007.

### **SPECIFIC CONTRACT ISSUES**

The Department of Fair Employment and Housing (DFEH) contract notification requirements were not met at five of the eight campuses visited and the CO. This is a repeat finding from our prior Delegations of Authority audit.

The *California State University (CSU) Policy Manual for Contracting and Procurement* §404 states that campuses shall give written notice at least quarterly to the DFEH of all contracts (but not purchase orders) over \$5,000.

California Code of Regulations Title 2 §8117.5, *Fair Employment and Housing Commission*, states, in part, that contract awarding agencies shall give written notice to the administration of all contracts over \$5,000.

Management cited several reasons for this issue including staff turnover, oversight, and a system problem.

Failure to report awarded contracts to the DFEH, as required, limits the ability of that agency to monitor state purchasing procedures for discriminatory practices.

**Recommendation 2**

We recommend that the chancellor's office remind the campuses and CO personnel of the importance of reporting all service contracts over \$5,000 to the DFEH.

**Management Response**

We concur. The chancellor's office will remind the campuses and CO personnel of the importance of reporting all service contracts over \$5,000 to the DFEH.

This will be completed by June 1, 2007.

**PROCUREMENT OF SERVICES AND PERSONAL PROPERTY**

**AUTHORIZATION OF PURCHASES**

Purchase documentation was not properly approved at three of the eight campuses visited and the CO.

State Administrative Manual (SAM) §20050 states that the elements of a satisfactory system of internal accounting and administrative controls include a system of authorization and recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

Management cited employee turnover and oversight as reasons for this issue.

Inadequate control over the approval of purchases increases the risk of inappropriate expenditures.

**Recommendation 3**

We recommend that the chancellor's office remind the campuses and CO personnel of the importance of obtaining proper approval of purchase documentation.

**Management Response**

We concur. The chancellor's office will remind the campuses and CO personnel of the importance of obtaining proper approval of purchase documentation.

This will be completed by June 1, 2007.

**SERVICE PROVIDER INSURANCE REQUIREMENTS**

Adequate proof of insurance was not always on file and/or coverage dates did not extend through the dates of service at four of the eight campuses visited and the CO. This is a repeat finding from our prior Delegations of Authority audit.

We found that proof of insurance was not always obtained and vendors did not always have adequate coverage at four campuses and the CO, while insurance did not extend through the contract term at two campuses.

Executive Order (EO) 849, *California State University Insurance Requirements*, dated February 5, 2003, requires the vendor to show evidence of adequate insurance coverage by furnishing a certificate of insurance and specifies minimum insurance coverage requirements. Further, the campus may permit exceptions to the requirements in this EO following risk identification and evaluation.

Management stated that the reasons for the issues were buyer oversight and staff shortage.

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

**Recommendation 4**

We recommend that the chancellor's office remind the campuses and CO personnel of the importance of obtaining proof of insurance and maintaining compliance with EO 849.

**Management Response**

We concur. The chancellor's office will remind the campuses and CO personnel of the importance of obtaining proof of insurance and maintaining compliance with EO 849.

This will be completed by June 1, 2007.

## MOTOR VEHICLE INSPECTIONS AND USE

Campus motor vehicle inspection programs did not ensure adequate preventative maintenance and lacked some required elements at seven of the eight campuses visited and the CO. This is a repeat finding from our prior Delegations of Authority audit.

We found that:

- ▶ Required preventative maintenance was not always performed at six of the eight campuses visited and the CO, which also included electric vehicles at three campuses and gas carts at one campus.
- ▶ A vehicle inspector had not been formally delegated for the CO, and the CO and two campuses did not have the same persons on file as the motor vehicle inspectors.
- ▶ Three campuses did not always obtain estimates and supervisor approval for commercially performed repairs exceeding \$350, and two of these campuses did not consistently maintain documentation for repair costs at commercial repair shops that exceeded \$350.
- ▶ Five campuses had not performed an annual analysis of operating costs.
- ▶ Three campuses had not completed an evaluation process for utilization of surplus vehicles.
- ▶ Three campuses had no written policies and procedures for their maintenance program or the policies and procedures were outdated.

EO 691, *Motor Vehicle Inspections – Delegation of Authority*, dated November 23, 1998, states that the campus president is responsible for the implementation of a campus motor vehicle inspection program and shall ensure that all aspects of the vehicle inspection program guidelines are followed. The campus president shall assign this function to an individual on campus and notify the chancellor's office of that individual.

*The CSU Use of University and Private Vehicles Policy Guidelines*, dated March 2002, states, in part, that that the campus vehicle inspector's approval is required on any repair where the part costs exceed \$350. For commercially performed repairs which will cost \$350 or more, three estimates must be obtained.

Management cited several reasons for these issues including being unaware of all EO 691 requirements, restructuring of the campus motor vehicle inspection program, and oversight.

Failure to ensure performance of prescribed preventative maintenance, full implementation of the motor vehicle inspection program, and current comprehensive policies and procedures increases the risk that the overall safety, efficiency, and economic well-being of vehicles will not be maintained.

### **Recommendation 5**

We recommend that the chancellor's office remind the campuses and responsible CO personnel of the importance of complete implementation of a motor vehicle inspection program compliant with EO 691, of campus vehicle inspector approval for repairs where the part costs exceed \$350, and of three estimates for commercially performed repairs, which will cost \$350 or more.

### **Management Response**

We concur. The chancellor's office will remind the campuses and CO personnel of the importance of complete implementation of a motor vehicle inspection program compliant with EO 691, of campus vehicle inspector approval for repairs where the part costs exceed \$350, and of three estimates for commercially performed repairs, which will cost \$350 or more.

This will be completed by June 1, 2007.

## **AGREEMENTS AND LEASES**

Controls over short-term leasing of state facilities did not ensure current fees were properly approved and charged, delegation of authority to execute leases was current, insurance coverage complied with CSU requirements, and policies and procedures were current at seven of the eight campuses visited. This is a repeat finding from our prior Delegations of Authority audit.

We found that:

- ▶ There was no evidence that the president or his designee had approved the fee schedule at five campuses. In addition, rental fees charged did not always agree with corresponding fee schedules at two of these campuses.
- ▶ The delegation of authority to the president's designee to sign lease agreements was not current at three campuses.
- ▶ Administration over the short-term leasing of state facilities did not ensure that the required insurance coverage consistently complied with CSU requirements at four campuses.
- ▶ Written policies and procedures for *Use of University Facilities* needed updating at three campuses.

Standing Orders of the CSU Board of Trustees (BOT) §II.i and §VI.f state that the chancellor has the authority to establish and oversee campus fees; establish, adjust, and oversee systemwide fees subject to overall direction of the BOT; and the campus president is authorized to oversee and adjust campus fees. Presidents may delegate their authority to other officials on their campuses.

EO 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. All agreements executed by the campus president must include, at a minimum, the standard provisions and language included in the model lease agreements maintained by the Office of the Chancellor. These leases have been approved as to form by the Office of General Counsel.

EO 849, *California State University Insurance Requirements*, dated February 5, 2003, provides for specific insurance coverage related to the leasing of state facilities and states that insurance requirements should be commensurate with the activities associated with the lease that may cause damage to person or property.

SAM §20050 states that a satisfactory system of internal administrative control shall include, but not be limited to, an established system of practices to be followed in performance of duties and functions. Further, the non-existence of policy and procedural or operational manuals is a sign of a vulnerable control system.

Management cited several reasons for these issues including recent changes in staffing, oversight, a decentralized process, and revision of policies and procedures that had not been finalized.

Inadequate controls over the leasing of state facilities increase the risk of inappropriate rentals, unapproved rental fees, lost revenue, uninsured damage to university property, and incomplete facility use agreements.

#### **Recommendation 6**

We recommend that the chancellor's office remind the campuses of the importance of maintaining strong internal controls over the short-term leasing of state facilities, including approval of fee schedules, delegation of authority to sign lease agreements, obtaining proof of insurance compliant with EO 849, and maintaining current *Use of University Facilities* policies and procedures.

#### **Management Response**

We concur. The chancellor's office will remind the campuses and CO personnel of the importance of maintaining strong internal controls over the short-term leasing of state facilities, including approval of fee schedules, delegation of authority to sign lease agreements, obtaining proof of insurance compliant with EO 849, and maintaining current *Use of University Facilities* policies and procedures.

This will be completed by June 1, 2007.

## PROPERTY

Administration over the sale/disposal of personal property did not always ensure adequate documentation and approval at four of the eight campuses visited.

We found that:

- ▶ Property survey reports were either missing or incorrectly completed at three campuses.
- ▶ Property survey board approval and/or management approval was not consistently obtained at two campuses.

SAM §8600 states property accounting procedures are designed to maintain uniform accountability for state property. These procedures are used to provide accurate records for the acquisition, maintenance, control, and disposition of property. The combination of accurate accounting records and strong internal controls must be in place to protect against and detect the unauthorized use of state property.

SAM §3520.3 states that when an agency proposes to dispose of state-owned, non-expendable surplus property by sale, by trade-in, or by discarding the property, the agency prepares a Property Survey Report (STD. 152).

SAM §3520.2 states that each agency will have a duly appointed property survey board that is responsible for determining that, when disposing of surplus property, the decision to do so serves the best interest of the state. To the extent possible, there will be a sufficient number of members on the board to insure representation by both business management and program responsibilities. At least two board members must approve all Property Survey Report (STD. 152) and all Transfer of Location of Equipment (STD. 158).

SAM §20050 states that the elements of a satisfactory system of internal accounting and administrative controls include a system of authorization and recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

Management cited several reasons for these issues including staff oversight and not being aware of SAM §3520.3.

Failure to complete property survey reports and obtain appropriate approval for personal property disposition reduces accountability over the disposal of state property and increases the risk of theft or loss of state property.

### **Recommendation 7**

We recommend that the chancellor's office remind the campuses of the importance of completing property survey reports for all property disposals and ensuring that all disposals are properly authorized.

**Management Response**

We concur. The chancellor's office will remind the campuses of the importance of completing property survey reports for all property disposals and ensuring that all disposals are properly authorized.

This will be completed by June 1, 2007.

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## APPENDIX A: PERSONNEL CONTACTED

| <u>Name</u>                                     | <u>Title</u>   |
|---|--|
| <u>Office of the Chancellor</u>                 |  |
| Richard P. West                                 | Executive Vice Chancellor and Chief Financial Officer                    |
| Sue Bell-Ramirez                                | Assistant Director, Administration                                       |
| Eddie Choy                                      | Assistant Director, System Contracts                                     |
| Darryl Dearborn                                 | Contract Specialist  |
| Lorraine Fergins                                | Administrative Analyst, Capital Planning, Design and Construction        |
| Ellyce Gordon                                   | Property Clerk   |
| Terry Hamilton                                  | Accounts Payable Manager   |
| Dennis Hordyk                                   | Assistant Vice Chancellor, Financial Services (At time of review)        |
| Iris Ingram                                     | Assistant Director, Sponsored Projects Administration                    |
| Carol Kiliyan                                   | Contract Manager, Systemwide Electronic Information Resources            |
| Dawn Locher                                     | Contract Management Specialist   |
| Linda Masterton                                 | Assistant Director, Procurement  |
| Tom Roberts                                     | Director, Contract Services and Procurement                              |
| Jerry Wilde                                     | Facilities Manager   |
| <u>California State University, Bakersfield</u> |  |
| Horace Mitchell                                 | President  |
| David Beadle                                    | Director, Safety and Risk Management                                     |
| Michael Chavez                                  | Director, Procurement and Contract Services                              |
| Melinda Conrad                                  | Accounts Payable Supervisor  |
| Suzanne Muller                                  | General Accounting Manager   |
| Michael Neal                                    | Vice President, Business and Administrative Services                     |
| Ken Simpson                                     | Maintenance Mechanic   |
| Sharon Taylor                                   | Assistant Vice President, Fiscal and Support Services                    |
| <u>California State University, Long Beach</u>  |  |
| F. King Alexander                               | President  |
| Elizabeth Beall                                 | Purchasing Manager   |
| Scott Charmack                                  | Associate Vice President,<br>Physical Planning and Facilities Management |
| William Griffith                                | Vice President, Administration and Finance                               |
| Tanya Ho  | Senior Internal Auditor (At time of review)                              |
| Charles Hughes                                  | Director, Procurement and Support Services                               |
| Joseph Latter                                   | Associate Vice President, Financial Management                           |
| Greg Pascal                                     | Communications and Records Supervisor                                    |
| Robert Quirk                                    | Director, Facilities Management  |
| Lauri Reilly                                    | Accounts Payable Manager   |
| Aysu Spruill                                    | Director, Internal Auditing Services                                     |
| Suzanne Wallace                                 | Assistant Director, Administrative Operations Facilities Management      |

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APPENDIX A: PERSONNEL CONTACTED

California State University, Los Angeles

|                 |   |
|-----------------|---|
| James M. Rosser | President   |
| Craig Bell      | Operations Manager  |
| Kevin Brady     | Director of Risk Management   |
| Jill Carnahan   | Special Assistant to the Vice President, Administration and Finance |
| John Farris     | Director, Facilities Services                                       |
| Steven Garcia   | Vice President, Administration and Finance/Chief Financial Officer  |
| Tanya Ho        | University Internal Auditor   |
| Thomas Johnson  | Director, Procurement and Contracts                                 |
| Yuet Lee        | Assistant Vice President, Administration and Finance                |
| Thomas Leung    | University Controller   |
| Mitra Nasri     | Supervisor, Property Management                                     |

California State University, Monterey Bay

|                    |  |
|--------------------|--|
| Dianne F. Harrison | President  |
| Debi Anzini        | Administrative Support Coordinator                             |
| George Ball        | Property and Fixed Assets Coordinator                          |
| Bob Brown          | Director of Facilities Services and Operations                 |
| Reyola Carlisle    | Contracts Coordinator  |
| Art Evjen          | Director of Business and Support Services                      |
| John Fitzgibbon    | Associate Vice President for Finance                           |
| Carlis Johns       | Assistant to Director of Budget/Planning                       |
| Dan Johnson        | Vice President, Administration and Finance (At time of review) |
| Dan Kubiak         | Interim Vice President for Administration and Finance          |
| Dino Latino        | Manager of Risk Services                                       |
| Cathy Rank         | Director of Budget and Planning                                |
| Eva Salas          | Buyer II   |
| Pete Torrecillas   | Work Control Coordinator                                       |

San Francisco State University

|                      |  |
|----------------------|--|
| Robert A. Corrigan   | President  |
| Rose Balancio        | Contracts Coordinator, Procurement                                       |
| Adalina Carranza     | Administrative Coordinator, Environmental Health and Occupational Safety |
| Elaine Collins       | Buyer III  |
| Corinne da Cunha     | Risk Initiatives Manager   |
| Phil Evans           | Director, Campus Grounds, Facilities and Service Enterprises             |
| Denise Fox-Needleman | Associate Vice President, Human Resources                                |
| Robert Hutson        | Associate Vice President, Facilities and Service Enterprises             |
| Jason Huynh          | Procurement Card Coordinator   |
| Haro Kagemoto        | Assistant Procurement Officer  |
| Wayne Kuhaupt        | Manager, Accounts Payable and Fiscal Services                            |
| Simon Lam            | Associate Vice President, Capital Planning, Design and Construction      |
| Franz Lozano         | Internal Auditor   |
| Michael Martin       | Director, Risk Management  |
| Jimmie Matheson      | Fleet Service Coordinator, Facilities and Service Enterprises            |
| Leroy Morishita      | Vice President, Administration and Finance                               |
| Stanley Pearse       | Supervisor, Property and Distribution Systems                            |

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APPENDIX A: PERSONNEL CONTACTED

|                    |  |
|--------------------|--|
| Robert Shearer     | Director, Environmental Health and Occupational Safety |
| Stephen Smith      | Director of Procurement                                |
| Deanna Tam         | Procurement Systems Analyst                            |
| Norma Urcuyo-Siani | Director, Special Events                               |
| Jim Van Ness       | Senior Audit Consultant                                |
| Larry Ware         | Associate Vice President, Fiscal Affairs               |

San José State University

|                  |  |
|------------------|--|
| Don W. Kassing   | President  |
| Ruben Araiza     | Property Clerk   |
| Shawn Bibb       | Associate Vice President, Administrative Systems and Finance (At time of review) |
| Michaux Burchard | Safety Specialist  |
| William Coker    | Captain, University Police Department  |
| Maria Diaz       | Buyer III  |
| Jovan Esprit     | Contracts Coordinator, Facilities Development and Operations                     |
| Violet Gonzalez  | Safety/Projects Coordinator  |
| John Gorvad      | Lead Auto Mechanic   |
| Barbara Keltner  | Contracts Analyst  |
| Rose Lee         | Vice President, Administration and Finance                                       |
| Norma Lorigo     | Director, Procurement Services   |
| Betty Luna       | Director, Facilities Planning  |
| Rita Peth        | Manager, Purchasing  |
| Ninh Pham-Hi     | Director, Internal Control   |
| George Sabino    | University Risk Manager  |
| John Skyberg     | Associate Director, Facilities Management/Motor Vehicle Inspector                |
| Tony Valenzuela  | Associate Vice President, Facilities Development and Operations                  |

California State University, San Marcos

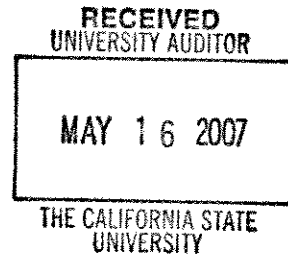
|                 |   |
|-----------------|---|
| Karen S. Haynes | President   |
| Shirley Brady   | Interim Associate Vice President, Finance and Business Services             |
| James Carr      | Materials Management Lead   |
| Pat Finstad     | Buyer III   |
| Elizabeth Grace | Coordinator of Contracts and Construction, Procurement and Support Services |
| Linda Hawk      | Associate Vice President, Resource Management                               |
| Neal Hoss       | Vice President, Finance and Administrative Services                         |
| Linda Leiter    | Associate Vice President, Human Relations and Campus Enterprises            |
| Brenda Martin   | Accounting Technician   |
| Bella Newberg   | Director, Procurement and Support Services                                  |
| Pamela Ohrazda  | Buyer II  |
| Barbara Sainz   | Coordinator of Commodities and Services, Procurement and Support Services   |
| Chuck Walden    | Director, Facility Services   |
| Susan Wallace   | Accountant/Accounts Payable Lead  |
| Steve Watters   | Assistant Director of Operations, Facility Services                         |
| Thomas Weir     | Lead Auto and Equipment Mechanic and Motor Vehicle Inspector                |





**Business and Finance**  
401 Golden Shore, 5th Floor  
Long Beach, CA 90802-4210

[www.calstate.edu](http://www.calstate.edu)



**Date:** May 16, 2007

**To:** Larry Mandel  
University Auditor

**From:** Richard P. West   
Executive Vice Chancellor and Chief Financial Officer

**Subject:** Management Response to Recommendations of Audit Report Number 06-13,  
Delegation of Authority / Systemwide

In response to the "Preliminary" report dated April 20, 2007 that you sent to me, we are providing the management response to the recommendations of your office. Please see Attachment 1.

Thank you for the professional manner in which this systemwide audit was conducted.

Should you have any questions about this management response, please feel free to contact me or Tom Roberts.

RW:TR:de

cc: Tom Roberts, Director, Contract Services & Procurement

**CSU Campuses**  
Bakersfield  
Channel Islands  
Chico  
Dominguez Hills  
East Bay

Fresno  
Fullerton  
Humboldt  
Long Beach  
Los Angeles  
Maritime Academy

Monterey Bay  
Northridge  
Pomona  
Sacramento  
San Bernardino  
San Diego

San Francisco  
San José  
San Luis Obispo  
San Marcos  
Sonoma  
Stanislaus



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## DELEGATIONS OF AUTHORITY SYSTEMWIDE

### SPECIAL PURCHASING ISSUES

#### Recommendation 1

We recommend that the chancellor's office (CO) remind the campuses of the importance of obtaining contractor certifications for the recycled content of commodity purchases.

#### Management Response

We concur. The CO will remind the campuses and CO personnel of the importance of obtaining contractor certifications for the recycled content of commodity purchases.

This will be completed by June 1, 2007.

### SPECIFIC CONTRACT ISSUES

#### Recommendation 2

We recommend that the chancellor's office remind the campuses and CO personnel of the importance of reporting all service contracts over \$5,000 to the DFEH.

#### Management Response

We concur. The CO will remind the campuses and CO personnel of the importance of reporting all service contracts over \$5,000 to the DFEH.

This will be completed by June 1, 2007.

**CSU Campuses**  
Bakersfield  
Channel Islands  
Chico  
Dominguez Hills  
East Bay

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Long Beach  
Los Angeles  
Maritime Academy

Monterey Bay  
Northridge  
Pomona  
Sacramento  
San Bernardino  
San Diego

San Francisco  
San José  
San Luis Obispo  
San Marcos  
Sonoma  
Stanislaus



## **PROCUREMENT OF SERVICES AND PERSONAL PROPERTY**

### **AUTHORIZATION OF PURCHASES**

#### **Recommendation 3**

We recommend that the chancellor's office remind the campuses and CO personnel of the importance of obtaining proper approval of purchase documentation.

#### **Management Response**

We concur. The CO will remind campuses and CO personnel of the importance of obtaining proper approval of purchase documentation.

This will be completed by June 1, 2007.

### **SERVICE PROVIDER INSURANCE REQUIREMENTS**

#### **Recommendation 4**

We recommend that the chancellor's office remind the campuses and CO personnel of the importance of obtaining proof of insurance and maintaining compliance with EO 849.

#### **Management Response**

We concur. The CO will remind the campuses and CO personnel of the importance of obtaining proof of insurance and maintaining compliance with EO 849.

This will be completed by June 1, 2007.

## **MOTOR VEHICLE INSPECTIONS AND USE**

#### **Recommendation 5**

We recommend that the chancellor's office remind the campuses and responsible CO personnel of the importance of complete implementation of a motor vehicle inspection program compliant with EO 691, of campus vehicle inspector approval for repairs where the part costs exceed \$350, and of three estimates for commercially performed repairs, which will cost \$350 or more.

**Management Response**

We concur. The CO will remind the campuses and CO personnel of the importance of complete implementation of a motor vehicle inspection program compliant with EO 691, of campus vehicle inspector approval for repairs where the part costs exceed \$350, and of three estimates for commercially performed repairs, which will cost \$350 or more.

This will be completed by June 1, 2007.

**AGREEMENTS AND LEASES****Recommendation 6**

We recommend that the chancellor's office remind the campuses of the importance of maintaining strong internal controls over the short-term leasing of state facilities, including approval of fee schedules, delegation of authority to sign lease agreements, obtaining proof of insurance compliant with EO 849, and maintaining current *Use of University Facilities* policies and procedures.

**Management Response**

We concur. The CO will remind the campuses and CO personnel of the importance of maintaining strong internal controls over the short-term leasing of state facilities, including approval of fee schedules, delegation of authority to sign lease agreements, obtaining proof of insurance compliant with EO 849, and maintaining current Use of University Facilities policies and procedures.

This will be completed by June 1, 2007.

**PROPERTY****Recommendation 7**

We recommend that the chancellor's office remind the campuses of the importance of completing property survey reports for all property disposals and ensuring that all disposals are properly authorized.

**Management Response**

We concur. The CO will remind the campuses of the importance of completing property survey reports for all property disposals and ensuring that all disposals are properly authorize.

This will be completed by June 1, 2007.


  
**THE CALIFORNIA STATE UNIVERSITY**  
 OFFICE OF THE CHANCELLOR

BAKERSFIELD

May 18, 2007

CHANNEL ISLANDS

CHICO

**MEMORANDUM**

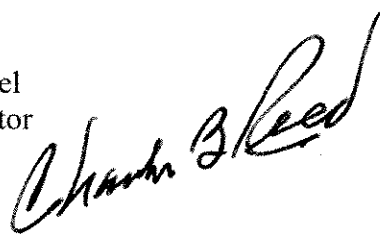
DOMINGUEZ HILLS

EAST BAY

TO: Mr. Larry Mandel  
University Auditor

FRESNO

FROM: Charles B. Reed  
Chancellor



FULLERTON

HUMBOLDT

SUBJECT: Draft Final Audit Report 06-13 on *Delegations of Authority*,  
Systemwide

LONG BEACH

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of May 18, 2007, I accept the response as submitted with the draft final report on *Delegations of Authority*, Systemwide.

MONTEREY BAY

NORTHRIDGE

CBR/jt

POMONA

Enclosure

SACRAMENTO

cc: Mr. Richard P. West, Executive Vice Chancellor and Chief Financial Officer

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS