

**DELEGATIONS OF AUTHORITY**  
**CALIFORNIA STATE UNIVERSITY,**  
**BAKERSFIELD**

**Audit Report 06-18**  
**December 4, 2006**

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## **ABBREVIATIONS**

AB	Assembly Bill
BOT	Board of Trustees
CSU	California State University
CSUB	California State University, Bakersfield
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 the California State University, Bakersfield (CSUB) campus from July 17, 2006, through September 8, 2006, and audited the procedures in effect at that time.

In our opinion, the existing policies and procedures for the administration of the procurement and support services function were, for the most part, effective. However, the controls over procurement card limits, Disabled Veteran Business Enterprise (DVBE) and small business reporting, contractor certification of recycled material content, contract notification requirements, procurement of services and personal property, the campus motor vehicle inspection program, and campus leasing of university facilities required management attention.

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.

### **PROCUREMENT ADMINISTRATION [7]**

An increase to the athletics department procurement card single transaction limit from \$2,500 to \$5,000 had not been formally approved. In addition, a process for the request and approval of transaction limit increases had not been formalized.

### **SPECIAL PURCHASING ISSUES [8]**

The fiscal year 2004/05 DVBE and small business report was understated because it did not include procurement card transactions. In addition, required contractor certifications were not consistently obtained for the recycled content of commodity purchases.

### **SPECIFIC CONTRACT ISSUES [9]**

The Department of Fair Employment and Housing (DFEH) contract notification requirements were not always met. A review of the contract award report, which must be filed with the DFEH for all contracts exceeding \$5,000, was not completed for 3 of 12 service contracts reviewed.

### **PROCUREMENT OF SERVICES AND PERSONAL PROPERTY [10]**

Required competitive bids or sole source justification were not always obtained. A review of ten purchase transactions that required competitive bidding or sole source justification disclosed two instances where the campus was unable to provide documentation to demonstrate that the purchases had been bid or sole sourced.

## **MOTOR VEHICLE INSPECTIONS AND USE [11]**

The campus motor vehicle inspection program lacked some required elements and did not ensure adequate preventative maintenance for all campus vehicles. There was no formalized annual analysis of operating costs or evaluation process for reutilization of surplus vehicles, preventative maintenance and/or safety inspections were not always performed or properly documented, required estimates and supervisor approval were not consistently obtained for repairs costing \$350 or more, and the campus preventative maintenance policy was outdated.

## **AGREEMENTS AND LEASES [12]**

There was no evidence that the president or designee had approved current fees charged for the short-term leasing of state facilities, and the CSUB *Policy and Procedures for Use of University Facilities* required updating.

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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 Trustees 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 June 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.

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## **OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES**

### **PROCUREMENT ADMINISTRATION**

An increase to the athletics department procurement card single transaction limit had not been formally approved, and a process for the request and approval of transaction limit increases had not been formalized.

We found that the procurement card single transaction limit for the athletics department had been increased from \$2,500 to \$5,000 without documented approval. In addition, although the California State University, Bakersfield (CSUB) *Delegation of Purchasing Authority Handbook* permitted the director of procurement to approve limit increases, the handbook did not address the process for requesting increases and required approval documentation.

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 controls over assets, liabilities, revenues, and expenditures.

The CSUB *Delegation of Purchasing Authority Handbook* states that a standard delegation limit of \$2,500 for purchase of commodities and \$1,000 for low risk services has been approved. Special consideration for increased delegation limits may be approved by the director of procurement for campus administrators whose department's daily activities may require a higher purchasing limit.

The director of procurement and contract services stated that the increase to the procurement card single transaction limit for athletics had been approved, but not formally documented.

Inadequate control over approval of the procurement card single transaction limit increases the risk of inappropriate purchases.

#### **Recommendation 1**

We recommend that the campus establish and implement a process to request increases to procurement card single transaction limits, including written guidelines and documentation requirements, and take action to either formally approve the athletics department \$5,000 limit or reduce it to the campus standard \$2,500 limit.

#### **Campus Response**

We concur. The procurement department will develop a procedure outlining the process for obtaining written delegation to increase an individual's ProCard single transaction limit. These procedures will be incorporated into the *Delegation of Purchasing Card Handbook* guidelines. Estimated completion date: April 2007

## **SPECIAL PURCHASING ISSUES**

### **DISABLED VETERAN BUSINESS ENTERPRISE AND SMALL BUSINESS**

The fiscal year 2004/05 Disabled Veteran Business Enterprise (DVBE) and small business report was understated because it did not include procurement card transactions.

*The California State University (CSU) Policy Manual for Contracting and Procurement (PMCP) §216 states, in part, that campuses must report annually on the number and amount of contracts and purchase orders awarded to DVBE and small businesses.*

The director of procurement and contract services stated that a recent change in banking institutions that provided procurement card services led to a breakdown in communications between the bank and the campus.

Failure to include procurement card transactions results in inaccurate DVBE and small business reporting.

#### **Recommendation 2**

We recommend that the campus strengthen controls surrounding the preparation of DVBE and small business reports.

#### **Campus Response**

We concur. The campus will be implementing the GE Capital credit card program in March 2007. This new provider has expanded reporting capabilities, which will enable us to better comply with DVBE and small business reporting. We will hold campus training to educate ProCard holders about the process for collecting their data and the importance of DVBE and small business information. Estimated completion date: March 2007

## **CONTRACTOR CERTIFICATIONS**

Required contractor certifications were not consistently obtained for the recycled content of commodity purchases.

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.

The director of procurement and contract services stated that the purchasing buyers had been instructed to confirm the contractor certification of recycled content. He further stated that even though the buyers had followed-up with the contractors in the past, the contractors continued to inconsistently provide written certifications.

Failure to consistently obtain contractor certifications of the recycled content of commodity purchases results in non-compliance with state regulations and inaccurate Buy Recycled reporting.

### **Recommendation 3**

We recommend that the campus strengthen enforcement efforts to obtain contractor certifications for the recycled content of commodity purchases.

### **Campus Response**

We concur. The procurement department will implement a revised procedure to strengthen the campus enforcement for obtaining contractor certifications for the recycled content of commodity purchases. This will include buyers contracting our large vendors to reinforce this requirement and procurement conducting campus department training to educate the campus about the process and importance of tracking this data. Estimated completion date: February 2007

## **SPECIFIC CONTRACT ISSUES**

The Department of Fair Employment and Housing (DFEH) contract notification requirements were not always met.

The contract award report (State Standard Form 16), which must be filed with the DFEH for all contracts exceeding \$5,000, was not completed for 3 of 12 service contracts reviewed.

The *CSU PMCP* §404 states that campuses shall give written notice at least quarterly to the DFEH of all contracts (but not purchase orders) over \$5,000.

The director of procurement and contract services stated that due to turnover in the department over the last two years, reporting requirements fell behind.

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 4**

We recommend that the campus strengthen procedures to ensure that all service contracts over \$5,000 are reported to the DFEH.

### **Campus Response**

We concur. The campus will incorporate tracking and reporting procedures into the procurement policy manual to ensure the campus reports all service contracts over \$5,000 to the DFEH as required. Estimated completion date: February 2007

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

Required competitive bids or sole source justification were not always obtained.

Our review of ten purchase transactions that required competitive bidding or sole source justification disclosed two instances where the campus was unable to provide documentation to demonstrate that the purchases had been bid or sole sourced.

The *CSU PMCP* §301 and §401 state, in part, that except in cases when it has been determined that only one source or that only one brand will properly meet the needs of the CSU, all contracts for the acquisition of goods or services in the amount of \$50,000 or more, subject to certain exclusions, shall be formally bid and awarded to the lowest responsible bidder meeting specifications.

The director of procurement and contract services stated that the cited transactions were isolated occurrences where time constraints and misjudgment caused one purchase order not to be bid, while the other transaction was related to a blanket purchase order that gradually exceeded the bid limit.

Failure to adhere to competitive bidding requirements in the acquisition of services and goods reduces the campus' ability to promote competition, eliminate favoritism, and obtain services and goods at the lowest possible cost.

### **Recommendation 5**

We recommend that the campus strengthen procedures for competitive bidding and sole source transactions.

### **Campus Response**

We concur. Procurement will incorporate these processes and procedures into their policy manual to ensure competitive bidding; sole source and all other purchasing transactions reflect required procedures and reporting requirements. Estimated completion date: February 2007

## MOTOR VEHICLE INSPECTIONS AND USE

The campus motor vehicle inspection program lacked some required elements and did not ensure adequate preventative maintenance for all campus vehicles.

We found that:

- ▶ There was no formalized annual analysis of operating costs.
- ▶ An evaluation process for reutilization of surplus vehicles when feasible was not performed.
- ▶ Preventative maintenance and safety inspections were performed, but not properly documented for all nine electric carts reviewed.
- ▶ One passenger vehicle did not receive the required 6,000 miles/6-months or 12,000 miles/12-months maintenance.
- ▶ Estimates and supervisor approval were not consistently obtained for repairs costing \$350 or more.
- ▶ Campus preventative maintenance was based on outdated State University Administrative Manual (SUAM) Appendix §2973.04 and §2973.05, and did not include specific requirements for vehicles other than automobiles such as electric carts.

Executive Order (EO) 691, *Motor Vehicle Inspection – 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. These guidelines include, in part, an annual analysis of operating costs, an evaluation process for reutilization of surplus vehicles, maintenance policies, and a review process for repair estimates and invoices.

CSUB policy requires that all vehicles be maintained in compliance with SUAM requirements. Although outdated, the requirements include 6,000 miles/6-months and 12,000 miles/12-months service.

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

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 the performance of duties and functions. Further, experience has indicated that the existence of one or more of certain danger signs will usually be indicative of a poorly maintained or vulnerable control system. One of these danger signs is policy and procedural or operational manuals that are either not currently maintained or are non-existent.

The vice president of business and administrative services stated that due to the restructure of the motor vehicle program, some of the administrative oversight requirements had not been implemented.

Failure to ensure that the motor vehicle inspection program is fully implemented and prescribed preventative maintenance is performed increases the risk that the overall safety, efficiency, and economic well-being of the campus motor vehicles will not be maintained.

### **Recommendation 6**

We recommend that the campus prepare an annual analysis of operating costs, implement an evaluation process for reutilization of surplus vehicles, and strengthen controls over vehicle maintenance, including required estimates and approvals for repairs costing \$350 or more and an updated preventative maintenance policy.

### **Campus Response**

We concur. The campus motor vehicle division will prepare a policy procedure guide for the department that will incorporate an evaluation process for reutilization of surplus vehicles, procedures for controlling vehicle maintenance on all campus vehicles including required levels of approval for repairs, and preparation of an annual analysis of operating costs. Estimated completion date: March 2007

## **AGREEMENTS AND LEASES**

There was no evidence that the president or designee had approved current fees charged for the short-term leasing of state facilities, and the *CSUB Policy and Procedures for Use of University Facilities* required updating.

Our review of ten short-term rental agreements with off-campus groups and the *CSUB Policy and Procedures for Use of University Facilities* disclosed that:

- ▶ There was no evidence that the president or designee had approved the current rental fee schedules.
- ▶ The *CSUB Policy and Procedures for Use of University Facilities* was about ten years old and excluded some important elements. For example, required insurance coverage was not in accordance with EO 849, including a requirement that insurance carriers have an Acceptability of Insurers rating of AM Best – AVII or equivalent, and a coordinator had not been designated for the use of all university facilities to provide a “first-stop” office for facility use inquires and ensure compliance with campus facility use policy and procedures.

Standing Orders of the CSU Board of Trustees (BOT), state in part, 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.

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 controls over assets, liabilities, revenues, and expenditures. Further, experience has indicated that the existence of one or more of certain danger signs will usually be indicative of a poorly maintained or vulnerable control system. One of these danger signs is policy and procedural or operational manuals that are either not currently maintained or are non-existent.

EO 849, *California State University Insurance Requirements*, dated February 5, 2003, specifies minimum levels of required contractor insurance and states, in part, that all certificates of insurance issued to the university require an Acceptability of Insurers rating, AM Best – AVII or equivalent unless otherwise agreed to by the university.

The director of procurement and contract services stated that the campus had a decentralized approach in administering its university facility policy and procedures, which has led to weak controls over changes to rate fees. He further stated that the policy and procedures were under review by the president's office and that no changes had been implemented to date.

Inadequate controls over the leasing of state facilities increases the risk of outdated, unapproved rental fees, inappropriate rentals, and incomplete facility use agreements.

### **Recommendation 7**

We recommend that the campus:

- a. Obtain approval from the campus president or designee for the current rental fee schedule and establish procedures to maintain such approvals on a current basis.
- b. Update the CSUB *Policy and Procedures for Use of University Facilities* to include minimum contractor insurance requirements in accordance with EO 849, including a requirement for certificates of insurance with an Acceptability of Insurers rating, AM Best – AVII or equivalent, and designate a coordinator for the use of all university facilities to ensure compliance with campus facility use policy and procedures.

### **Campus Response**

We concur. The campus has already designated a campus coordinator for this activity and this individual is currently working on a policies and procedures manual for facilities usage agreements. The policy will include a process for establishing and approving an annual facility usage rate for all facilities, insurance requirements including dollar limits, and AM rating procedures. The new procedures will be shared with the campus ensuring all facility coordinators follow the campus standard process in this area. Estimated completion date: March 2007

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## **APPENDIX A: PERSONNEL CONTACTED**

### **Name**

### **Title**

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



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DEC 21 2006

THE CALIFORNIA STATE  
UNIVERSITY

December 18, 2006

Larry Mandel  
University Auditor  
California State University  
401 Golden Shore  
Long Beach, CA 90802-4210

Re: Campus Response to Recommendations of Audit Report Number 06-18,  
Delegations of Authority at California State University, Bakersfield

Dear Larry:

Attached are our campus responses and implementation dates to each Recommendation of the Delegation of Authority Audit Report #06-18 at California State University, Bakersfield.

Please feel free to contact me should you have any questions concerning our campus responses.

Sincerely,

Michael A. Neal  
Vice President for Business  
and Administrative Services

cc: Dr. Horace Mitchell, President  
Sharon Taylor, Assistant Vice President, Fiscal Services  
Robert Bencangey, Audit Manager

**"ATTITUDE MAKES THE DIFFERENCE"**

**DELEGATIONS OF AUTHORITY  
CALIFORNIA STATE UNIVERSITY,  
BAKERSFIELD**

**Report Number 06-18  
December 4, 2006**

**PROCUREMENT ADMINISTRATION**

**Recommendation 1**

We recommend that the campus establish and implement a process to request increases to procurement card single transaction limits, including written guidelines and documentation requirements, and take action to either formally approve the athletics department \$5,000 limit or reduce it to the campus standard \$2,500 limit.

**Campus Response**

We concur. The Procurement Department will develop a procedure outlining the process for obtaining written delegation to increase an individual's Pro-Card single transaction limit. These procedures will be incorporated into the *Delegation of Purchasing Card Handbook* guidelines. (Apr '07).

**SPECIAL PURCHASING ISSUES**

**DISABLED VETERAN BUSINESS ENTERPRISE AND SMALL BUSINESS**

**Recommendation 2**

We recommend that the campus strengthen controls surrounding the preparation of DVBE and small business reports.

**Campus Response**

We concur. The campus will be implementing the GE Capital Credit Card program in March 2007. This new provider has expanded reporting capabilities which will enable us to better comply with DVBE and small business reporting. We will hold campus training to educate Pro-Card holders about the process for collecting their data and the importance of DVBE and small business information. (Mar '07).

**CONTRACTOR CERTIFICATIONS**

**Recommendation 3**

We recommend that the campus strengthen enforcement efforts to obtain contractor certifications for the recycled content of commodity purchases.

**Campus Response**

We concur. The Procurement department will implement a revised procedure to strengthen the campus enforcement for obtaining contractor certifications for the recycled content of commodity purchases. This will include buyers contracting our large vendors to reinforce this requirement and Procurement conducting campus department training to educate the campus about the process and importance of tracking this data. (Feb '07).

**SPECIFIC CONTRACT ISSUES**

**Recommendation 4**

We recommend that the campus strengthen procedures to ensure that all service contracts over \$5,000 are reported to the DFEH.

**Campus Response**

We concur. The campus will incorporate tracking and reporting procedures into the Procurement Policy manual to ensure the campus reports all service contracts over \$5000 to Department of Fair Employment and Housing (DFEH) as required. (Feb '07).

**PROCUREMENT OF SERVICES AND PERSONAL PROPERTY**

**Recommendation 5**

We recommend that the campus strengthen procedures for competitive bidding and sole source transactions.

**Campus Response**

We concur. Procurement will incorporate these processes and procedures into their Policy manual to ensure competitive bidding; sole source and all other purchasing transactions reflect required procedures and reporting requirements. (Feb '07).

**MOTOR VEHICLE INSPECTIONS AND USE**

**Recommendation 6**

We recommend that the campus prepare an annual analysis of operating costs, implement an evaluation process for reutilization of surplus vehicles, and strengthen controls over vehicle maintenance, including required estimates and approvals for repairs costing \$350 or more and an updated preventative maintenance policy.

**Campus Response**

We concur. The campus Motor Vehicle Division will prepare a policy procedure guide for the department that will incorporate an evaluation process for reutilization of surplus vehicles, procedures

for controlling vehicle maintenance on all campus vehicles including required levels of approval for repairs and preparation of an annual analysis of operating costs. (Mar '07).

## AGREEMENTS AND LEASES

### Recommendation 7

We recommend that the campus:

- a. Obtain approval from the campus president or designee for the current rental fee schedule and establish procedures to maintain such approvals on a current basis.
- b. Update the CSUB *Policy and Procedures for Use of University Facilities* to include minimum contractor insurance requirements in accordance with EO 849, including a requirement for certificates of insurance with an Acceptability of Insurers rating, AM Best – AVII or equivalent, and designate a coordinator for the use of all university facilities to ensure compliance with campus facility use policy and procedures.

### Campus Response

We concur. The campus has already designated a campus coordinator for this activity and this individual is currently working on a policies and procedures manual for Facilities Usage Agreements. The policy will include a process for establishing and approving an annual facility usage rate for all facilities, and insurance requirements including dollar limits, and AM Rating procedures. The new procedures will be shared with the campus ensuring all facility coordinators follow the campus standard process in this area. (Mar '07).

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

BAKERSFIELD

January 17, 2007

CHANNEL ISLANDS

CHICO

DOMINGUEZ HILLS

**MEMORANDUM**

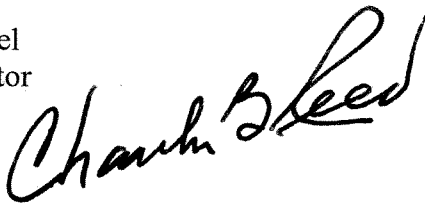
EAST BAY

FRESNO

TO: Mr. Larry Mandel  
University Auditor

FULLERTON

FROM: Charles B. Reed  
Chancellor



HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Audit Report 06-18 on *Delegations of Authority*,  
California State University, Bakersfield

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

In response to your memorandum of January 17, 2007, I accept the response as submitted with the draft final report on *Delegations of Authority*, California State University, Bakersfield.

NORTHRIDGE

POMONA

CBR/jt

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Dr. Horace Mitchell, President  
Mr. Michael A. Neal, Vice President, Business and Administrative Services  
Ms. Sharon Taylor, Assistant Vice President, Fiscal and Support Services

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS