

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

**Audit Report 06-20**  
**December 1, 2006**

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## **CONTENTS**

Executive Summary .....	1
Introduction.....	3
Background .....	3
Purpose.....	5
Scope and Methodology .....	6

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

Special Purchasing Issues .....	7
Small Business .....	7
State Agency Buy Recycled Campaign .....	8
Personal Property Procurement.....	8
Procurement of Services .....	9
Motor Vehicle Inspections and Use .....	10
Motor Vehicle Inspection Program.....	10
Vehicle Use Controls .....	11
Agreements and Leases.....	13

## **APPENDICES**

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

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## **ABBREVIATIONS**

AB	Assembly Bill
BOT	Board of Trustees
CSU	California State University
CSUSM	California State University, San Marcos
DGS	Department of General Services
DMV	Department of Motor Vehicles
DVBE	Disabled Veteran Business Enterprise
EO	Executive Order(s)
FY	Fiscal Year
OSBCR	Office of Small Business Certification and Resources
PMCP	Policy Manual for Contracting and Procurement
RFU	Request for Facility Use
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, San Marcos campus from August 14, 2006, through September 22, 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, controls over small business reporting, purchases of recycled materials, execution of purchase documentation, service provider insurance requirements, campus-owned vehicles, 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.

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

The campus did not verify that the small business vendors in PeopleSoft, which were included in the fiscal year 2005/06 small business contracting activity report, were certified small businesses with the Department of General Services Office of Small Business Certification and Resources. In addition, required contractor certifications were not consistently obtained for the recycled content of commodity purchases.

### **PERSONAL PROPERTY PROCUREMENT [8]**

Purchase documentation was not always properly approved. A review of 22 purchases of goods disclosed that nine were approved by buyers for amounts over their authorized approval limits.

### **PROCUREMENT OF SERVICES [9]**

Vendors did not always have adequate levels of insurance when performing services on campus. Nine of 26 vendors reviewed lacked certain insurance requirements.

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

The campus motor vehicle inspection program lacked some of the required elements and did not ensure adequate preventative maintenance for all campus vehicles. There were no written policies and procedures, required preventative maintenance was not performed on 2 of 14 vehicles reviewed, and an annual analysis of operating costs was not performed. Further, the campus vehicle use policy did not ensure that all campus policies for vehicle use were implemented.

## **AGREEMENTS AND LEASES [13]**

The campus had not taken the appropriate steps to ensure that *Request for Facility Use* (RFU) forms were properly approved, fees were approved and properly charged, and policies and procedures were current. For example, seven of ten (70%) RFU forms reviewed were approved by an individual that did not have a written delegation of authority from the campus president.

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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 July 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**

### **SPECIAL PURCHASING ISSUES**

#### **SMALL BUSINESS**

The campus did not verify that the small business vendors in PeopleSoft, which were included in the fiscal year (FY) 2005/06 small business contracting activity report, were certified small businesses with the Department of General Services (DGS) Office of Small Business Certification and Resources (OSBCR).

Our review of ten small business vendors included in the FY 2005/06 small business contracting activity report disclosed that six were not found in the DGS OSBCR certified small business list. As a result, there was no assurance that annual reporting only included purchases awarded to certified small businesses.

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

State Administrative Manual (SAM) §20050 states that the elements of a satisfactory system of internal accounting and administrative controls include, but are not limited to, an effective system of internal review and recordkeeping procedures.

The director of procurement and support services stated that the buyers ask all new vendors if they are a small business before inputting the vendor file into PeopleSoft. She further stated that if the vendors state that they are a small business, then they are identified as a small business in PeopleSoft. She added that the advocate for this program did not check that all vendors were appropriately identified in the OSBCR database.

Failure to confirm the small business status of vendors increases the risk of inaccurate reporting to the OSBCR.

#### **Recommendation 1**

We recommend that the campus ensure small business requirements are verified for all small business vendors.

#### **Campus Response**

We concur. The campus will develop written procedures to ensure small business requirements are verified for all small business vendors.

Anticipated completion date: May 31, 2007

## **STATE AGENCY BUY RECYCLED CAMPAIGN**

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 support services stated that buyers are responsible for requesting recycled content certifications from vendors. She further stated that the buyer responsible for overseeing this program left the university in early 2006 and therefore, the monitoring of the program was not adequately performed.

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

### **Recommendation 2**

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

### **Campus Response**

We concur. The campus will develop procedures to strengthen enforcement efforts to obtain required contractor certifications for the recycled content of commodity purchases.

Anticipated completion date: May 31, 2007

## **PERSONAL PROPERTY PROCUREMENT**

Purchase documentation was not always properly approved.

Our review of 22 purchases of goods disclosed that nine were approved by buyers for amounts over their authorized approval limits.

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.

The California State University, San Marcos (CSUSM) delegation of authority states that a buyer II can approve purchases up to \$25,000, a buyer III can approve up to \$50,000, and a coordinator can approve up to \$100,000.

The interim associate vice president of finance and business services stated that this was mainly due to the absence of a procurement director in the beginning of the FY. She further stated that during this time, two buyers acted as co-directors and should have had increased signature authority, but it was never delegated properly.

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

### **Recommendation 3**

We recommend that the campus strengthen procedures to ensure that purchase documentation is approved in accordance with campus policy.

### **Campus Response**

We concur. The campus will develop written procedures to ensure that purchase documentation is approved in accordance with campus policy.

Anticipated completion date: May 31, 2007

## **PROCUREMENT OF SERVICES**

Vendors did not always have adequate levels of insurance when performing services on campus.

Our review of 26 services where vendors provided the service on campus during FY 2005/06 revealed that nine did not have the proper level of insurance. Insurance documentation was not obtained for four vendors and five vendors did not have adequate coverage in accordance with California State University (CSU) policies.

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

The director of procurement and support services stated these instances were an oversight by the buyer. She further stated that the department's administrative assistant, who manages the insurance certificates, was on an extended leave of absence, which affected the follow-up with vendors.

Failure to require adequate levels of vendor insurance can result in increased liability exposure to the campus.

#### **Recommendation 4**

We recommend that the campus strengthen procedures for the review and retention of required insurance documentation, including documentation of any exceptions following risk identification and evaluation, to ensure that all service providers have adequate insurance coverage in accordance with CSU requirements.

#### **Campus Response**

We concur. The campus will implement a process to ensure that established procedures for the review and retention of required insurance documentation, including documentation of any exceptions following risk identification and evaluation, are followed to verify that all service providers have adequate insurance coverage in accordance with CSU requirements.

Anticipated completion date: May 31, 2007

## **MOTOR VEHICLE INSPECTIONS AND USE**

### **MOTOR VEHICLE INSPECTION PROGRAM**

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

We found that:

- ▶ Written policies and procedures had not been developed to document the campus motor vehicle inspection program. Repair, maintenance, and replacement policies followed by the campus were based on outdated State University Administrative Manual policy §2720 through §2726.01.
- ▶ Required preventative maintenance was not performed on a regular basis. Our review of preventative maintenance for 14 vehicles during calendar years 2005 and 2006 disclosed that two vehicles had no preventative maintenance performed.
- ▶ An annual analysis of operating costs was not performed.

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. These guidelines include, in part, an annual analysis of operating costs and maintenance policies.

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.

The director of facility services stated that the department was unaware of all the EO 691 requirements, but campus procedures were in place to address some of the elements. He further stated that the vehicles with no preventative maintenance were an oversight.

Failure to maintain comprehensive policies and procedures increases the risk of misunderstandings of the expectations relating to the performance of motor vehicle inspection duties and failure to ensure that the motor vehicle inspection program is fully implemented increases the risk of poorly maintained motor vehicles and negatively impacts driver safety. Further, failure to complete an annual analysis of operating costs increases the risk that vehicle costs and repairs will exceed the value of the vehicle.

### **Recommendation 5**

We recommend that the campus:

- a. Develop and fully implement comprehensive written policies and procedures for the motor vehicle inspection program in accordance with EO 691.
- b. Review its motor vehicle inspection program and either strengthen procedures to ensure compliance or update the program to reflect current practices, taking into consideration EO 691 requirements.
- c. Prepare an annual analysis of operating costs.

### **Campus Response**

We concur. The campus will develop and implement written policies and procedures for the motor vehicle inspection program in accordance with EO 691. The campus will conduct a review of its motor vehicle inspection program to ensure compliance with campus policies and procedures and to reflect EO 691 requirements. In addition, the campus will prepare an annual analysis of operating costs effective FY 2006/07.

Anticipated completion date: June 30, 2007

## **VEHICLE USE CONTROLS**

The campus vehicle use policy did not ensure that all campus policies for vehicle use were implemented.

Our review of 11 individuals who recently drove university-owned vehicles disclosed that:

- ▶ There was no evidence of written approval by the president or his designee for use of the vehicle for 8 of the 11 individuals.
- ▶ Employee certification of driving status was not signed by any of the drivers.

- ▶ Defensive driver training was not completed and a Department of Motor Vehicles (DMV) record check was not performed within the last four years on three individuals.

The CSUSM *Use of Vehicles* policy states, in part, that the following must be satisfied as a prerequisite to obtaining a university vehicle:

- Written approval of the use has been given by an individual authorized by the president to grant such approval.
- An employee certification shall be made each time the employee accepts the keys to a university vehicle from the facility services automotive shop.
- A current defensive driving certificate or defensive driving waiver form.
- The university reserves the right to obtain and examine driving records, without prior notification, of individuals who use university and/or private vehicles on university business.

The CSU *Use of University and Private Vehicles Policy Guidelines*, dated March 2002, states, in part, that the campus control office must determine that:

- Written approval of the use of vehicles has been given by an individual authorized by the president to grant such approval.
- Employee certification regarding possession of a valid driver's license and driving record is obtained.
- A person has satisfactorily completed a CSU-approved defensive driving course.
- A person's driving record from the DMV is requested and reviewed at least once every four years to ensure that a person has a good driving record.

The associate vice president of resource management stated that the campus had policies and procedures regarding these areas, however, the lack of completion was an oversight. She further stated that management of the defensive driving class was in the process of being transitioned between departments.

Failure to properly control the use of university-owned vehicles and fully implement campus policies and the *CSU Use of University and Private Vehicle Policy Guidelines* increases the risk of use by unqualified drivers and non-compliance with state, campus, and CSU policy.

### **Recommendation 6**

We recommend that the campus strengthen procedures to ensure full compliance with campus policies and the *CSU Use of University and Private Vehicle Policy Guidelines*.

### **Campus Response**

We concur. The campus will strengthen its procedures to ensure full compliance with established campus policies and the CSU *Use of University and Private Vehicle Policy Guidelines*.

Anticipated completion date: June 30, 2007

## **AGREEMENTS AND LEASES**

The campus had not taken the appropriate steps to ensure that *Request for Facility Use* (RFU) forms were properly approved, fees were approved and properly charged, and policies and procedures were current.

Our review of ten RFU forms and the CSUSM *Use of University Facilities Policy* disclosed that:

- ▶ Seven of ten (70%) RFU forms reviewed were approved by an individual that did not have a written delegation of authority from the campus president.
- ▶ The campus was unable to provide evidence that the president or designee had approved the fees currently charged and rates charged for five of the ten (50%) facility rentals reviewed did not agree with the current fee schedules.
- ▶ Written policies and procedures to document the leasing of state facilities to outside organizations were outdated and did not include all the facilities available.

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.

CSUSM *Signature Authority to Commit University Resources*, dated November 17, 2004, states, in part, that the authority to commit the resources of or otherwise obligate the university contractually is restricted to the president. Further, I (the president) delegate signature authority to the chief financial officer and vice president, finance and administrative services, the associate vice president, finance and administrative services, and the director of procurement and support services. This authority extends to contracts, memorandums of understanding, agreements for use/rental of off-site facilities, and any other form used to obligate CSUSM's resources, financial or otherwise.

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.

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.

The vice president of finance and administrative services stated that this area was in a transition phase to centralize operations and ensure compliance with CSU and state requirements.

Inadequate control over the leasing of state facilities increases the risk of inappropriate rentals, unapproved rental fees, and lost fee revenue.

### **Recommendation 7**

We recommend that the campus:

- a. Obtain a delegation of authority for the approval of RFU forms from the campus president or designee and implement procedures to maintain such delegation on a current basis.
- b. Obtain approval from the campus president or designee for the current rental fee schedules, establish procedures to maintain such approvals on a current basis, and ensure fees are charged in accordance with the schedule.
- c. Update the CSUSM *Use of University Facilities Policy*, obtain management approval, and implement the policies and procedures.

### **Campus Response**

We concur. The campus has hired a full-time, permanent university events scheduling coordinator and is in the process of developing comprehensive policies and procedures regarding the use of university facilities. These policies and procedures will include processes for obtaining a delegation of authority for the approval of RFU forms from the campus president or designee, maintaining such delegation on a regular basis, obtaining approval from the campus president or designee for the current rental fee schedules, maintaining such approvals on a current basis, and ensuring fees are charged in accordance with the schedule. Once the CSUSM *Use of University Facilities Policy* has been updated and approved by the campus president or designee, it will be fully implemented and posted to campus' policy and procedure website.

Anticipated completion date: May 31, 2007

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## **APPENDIX A: PERSONNEL CONTACTED**

<u>Name</u>	<u>Title</u>
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 the Motor Vehicle Inspector
Aaron Woodard	Chief of Police, University Police



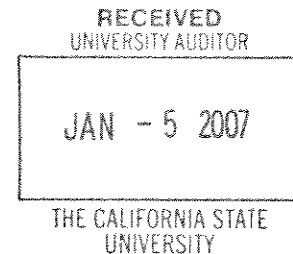
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January 3, 2007

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



Subject: Campus Responses to Recommendations: Audit Report Number 06-20  
Delegation of Authority at California State University, San Marcos

Dear Mr. Mandel:

Enclosed is our response to the recommendations in Audit Report Number 06-20, Delegation of Authority, at California State University, San Marcos. Upon acceptance of our response, we will follow up with your office in providing supporting documentation for each recommendation by the anticipated completion dates.

Please let us know if you have any questions or need additional information.

Sincerely,

Neal R. Hoss  
Vice President  
Finance and Administrative Services

Enclosure

cc: President Karen S. Haynes  
Ms. Shirley Brady, Interim Associate Vice President, Resource Management  
Ms. Linda Hawk, Associate Vice President for Resource Management  
Ms. Bella Newberg, Director, Procurement and Support Services

**The California State University**

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

**Audit Report 06-20  
December 1, 2006**

**SPECIAL PURCHASING ISSUES**

**SMALL BUSINESS**

**Recommendation 1**

We recommend that the campus ensure small business requirements are verified for all small business vendors.

**Campus Response**

We concur. The campus will develop written procedures to ensure small business requirements are verified for all small business vendors.

Anticipated Completion Date: May 31, 2007

**STATE AGENCY BUY RECYCLED CAMPAIGN**

**Recommendation 2**

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

**Campus Response**

We concur. The campus will develop procedures to strengthen enforcement efforts to obtain required contractor certifications for the recycled content of commodity purchases.

Anticipated Completion Date: May 31, 2007

**PERSONAL PROPERTY PROCUREMENT**

**Recommendation 3**

We recommend that the campus strengthen procedures to ensure that purchase documentation is approved in accordance with campus policy.

### **Campus Response**

We concur. The campus will develop written procedures to ensure that purchase documentation is approved in accordance with campus policy.

Anticipated Completion Date: May 31, 2007

## **PROCUREMENT OF SERVICES**

### **Recommendation 4**

We recommend that the campus strengthen procedures for the review and retention of required insurance documentation, including documentation of any exceptions following risk identification and evaluation, to ensure that all service providers have adequate insurance coverage in accordance with CSU requirements.

### **Campus Response**

We concur. The campus will implement a process to ensure that established procedures for the review and retention of required insurance documentation, including documentation of any exceptions following risk identification and evaluation, are followed to verify that all service providers have adequate insurance coverage in accordance with CSU requirements.

Anticipated Completion Date: May 31, 2007

## **MOTOR VEHICLE INSPECTIONS AND USE**

### **MOTOR VEHICLE INSPECTION PROGRAM**

#### **Recommendation 5**

We recommend that the campus:

- a. Develop and fully implement comprehensive written policies and procedures for the motor vehicle inspection program in accordance with EO 691.
- b. Review its motor vehicle inspection program and either strengthen procedures to ensure compliance or update the program to reflect current practices, taking into consideration EO 691 requirements.
- c. Prepare an annual analysis of operating costs.

### **Campus Response**

We concur. The campus will develop and implement written policies and procedures for the motor vehicle inspection program in accordance with Executive Order 691. The campus will conduct a

review of its motor vehicle inspection program to ensure compliance with campus policies and procedures to reflect Executive Order 691 requirements. In addition, the campus will prepare an annual analysis of operating costs effective Fiscal Year 2006-07.

Anticipated Completion Date: June 30, 2007

## **VEHICLE USE CONTROLS**

### **Recommendation 6**

We recommend that the campus strengthen procedures to ensure full compliance with campus policies and the *CSU Use of University and Private Vehicle Policy Guidelines*.

### **Campus Response**

We concur. The campus will strengthen its procedures to ensure full compliance with established campus policies and the CSU Use of University and Private Vehicle Policy Guidelines.

## **AGREEMENTS AND LEASES**

### **Recommendation 7**

We recommend that the campus:

- a. Obtain a delegation of authority for the approval of RFU forms from the campus president or designee and implement procedures to maintain such delegation on a current basis.
- b. Obtain approval from the campus president or designee for the current rental fee schedules, establish procedures to maintain such approvals on a current basis, and ensure fees are charged in accordance with the schedule.
- c. Update the *CSUSM Use of University Facilities Policy*, obtain management approval, and implement the policies and procedures.

### **Campus Response**

We concur. The campus has hired a full time, permanent University Events Scheduling Coordinator and is in the process of developing comprehensive policies and procedures regarding the use of University facilities. These policies and procedures will include processes for obtaining a delegation of authority for the approval of RFU forms from the campus president or designee, maintaining such delegation on a regular basis, obtaining approval from the campus president or designee for the current rental fee schedules, maintaining such approvals on a current basis, and ensuring fees are charged in accordance with the schedule. Once the *CSUSM Use of University Facilities Policy* has been updated and approved by the campus President or designee, it will be fully implemented and posted to campus' policy and procedure website.

Anticipated Completion Date: May 31, 2007

THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR



BAKERSFIELD

January 29, 2007

CHANNEL ISLANDS

CHICO

**MEMORANDUM**

DOMINGUEZ HILLS

EAST BAY

FRESNO

TO: Mr. Larry Mandel  
University Auditor

FULLERTON

FROM: Charles B. Reed  
Chancellor

HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Audit Report 06-20 on *Delegations of Authority*,  
California State University, San Marcos

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

In response to your memorandum of January 29, 2007, I accept the response as submitted with the draft final report on *Delegations of Authority*, California State University, San Marcos.

NORTHRIDGE

POMONA

CBR/jt

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Dr. Karen S. Haynes, President  
Mr. Neal R. Hoss, Vice President, Finance and Administrative Services

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS