

DELEGATIONS OF AUTHORITY
CALIFORNIA POLYTECHNIC STATE UNIVERSITY,
SAN LUIS OBISPO

Audit Report 11-20
April 14, 2011

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ABBREVIATIONS

AB	Assembly Bill
Cal Poly	California Polytechnic State University, San Luis Obispo
CFO	Chief Financial Officer
CO	Office of the Chancellor
CPRM	Contracting, Procurement and Risk Management
CSU	California State University
DVBE	Disabled Veteran Business Enterprise
EC	Education Code
EO	Executive Order
FY	Fiscal Year
GC	Government Code
ICSUAM	Integrated California State University Administrative Manual
PCC	Public Contract Code
PMCP	Policy Manual for Contracting and Procurement
SB	Senate Bill

EXECUTIVE SUMMARY

The Board of Trustees, at its January 2011 meeting, directed that Delegations of Authority be reviewed. The Office of the University Auditor had previously reviewed Delegations of Authority in 2006.

We visited the California Polytechnic State University, San Luis Obispo (Cal Poly) campus from January 18, 2011, through February 18, 2011, and audited the procedures in effect at that time.

Our study and evaluation revealed certain conditions that, in our opinion, could result in significant errors and irregularities if not corrected. Specifically, the campus did not maintain adequate internal control over the following area: motor vehicle inspections and use. This condition, along with other weaknesses, are described in the executive summary and body of this report. In our opinion, except for the effect of the weakness described above, the operational and administrative controls for delegated activities related to procurement and contracting, motor vehicle inspections, and personal property transactions in effect as of February 18, 2011, taken as a whole, were sufficient to meet the objectives stated in the "Purpose" section of this report.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

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 AND CONTRACTING ACTIVITIES [6]

The delegation of authority for the acquisition of personal property and services was not updated nor complete. Also, the campus did not always obtain evidence of required insurance coverage for service vendors and lease agreements. In addition, the campus incorrectly reported one vendor as a Disabled Veteran Business Enterprise (DVBE) participant and failed to conduct DVBE solicitations in accordance with systemwide procedures. Further, the campus did not always maintain proper documentation of procurement card authorization. Finally, the FY 2009/10 campus Buy Recycled report was incomplete.

MOTOR VEHICLE INSPECTIONS AND USE [10]

The campus delegation of authority for implementation of the motor vehicle inspection program was not in place during fieldwork and was not completed until January 11, 2011. Additionally, the campus motor vehicle inspection program did not assure adequate preventive maintenance and lacked some required elements. Further, the campus motor vehicle inspection program did not ensure compliance with all campus and CSU policies and procedures for vehicle use.

INTRODUCTION

BACKGROUND

In 1986, Senate Bill (SB) 1828 indefinitely extended California State University (CSU) delegations of authority concerning certain procurement 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. SB 1828 also added section 89045(d) to the Education Code (EC):

(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 EC and Section 11007.7 of the Government Code (GC).

EC §89031.5 requires the inspection of all motor vehicles owned by the CSU. Executive Order (EO) 691, *Motor Vehicle Inspections*, dated November 23, 1998, 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 the campuses to notify the Office of the Chancellor (CO) of the individual assigned to the function. CSU policy concerning the use of motor vehicles is codified in *CSU Use of University and Private Vehicles Policy Guidelines*, dated March 2002, issued via Technical Letter 2002-16 from the CO Human Resources department.

EC §89036 grants the CSU authority over certain procurement and contracting activities. EO 775, *Acquisition of Personal Property and Services*, dated June 6, 2001, updates and supersedes prior EOs dating back to 1994 and delegates the procurement authority granted to the CSU under AB 1191 to campus presidents, within the provisions of the *CSU Policy Manual for Contracting and Procurement* (PMCP). EO 760, *Procurement Cards*, dated October 16, 2000, delegates authority for the use of procurement cards to campus presidents.

PMCP, last updated on April 28, 2008, was recently codified in the *Integrated California State University Administrative Manual* (ICSUAM), Section 5000, *Contracts and Procurement*. The ICSUAM establishes systemwide contracting and procurement policy and provides guidance on general procurement practices, along with specific requirements relating to the procurement of goods, services, and information technology resources. Any future updates to contracting policy will be incorporated into the ICSUAM.

EC §89046 granted the CSU the authority to lease state university property for purposes consistent with the functions of the CSU. EO 669, *Leases*, dated May 1, 1997, supersedes an EO issued in 1983. It delegates to campus presidents the authority to execute leases of real property as either lessor or lessee without approval by the CO, subject to certain limitations. The EO requires the use of standard provisions from model lease agreements, an assessment of liability risk for each lease agreement, a competitive process for leasing state university property to for-profit enterprises, an accounting of leases in the campus financial records, and maintenance of a central repository for all current lease agreements.

EC §89048 addresses a number of areas, including certain real property transactions and the sale or exchange of personal property. State University Administrative Manual §9018, *Acquisition and Granting of Easements and Acceptance of Quitclaims*, sets forth processing guidelines and responsibilities for such

real property transactions by the campuses and by the land records staff in the CO Capital Planning, Design and Construction department.

EO 409, *Purchase, Sale, Lease, and License of Personal Property*, dated January 5, 1983, delegates to campus presidents the authority to sell or exchange personal property and has been superseded except for Item B, which permits the sale or exchange of personal property when the campus president determines that it is in the best interest of the CSU and the transaction is based on fair market value.

GC §11007.7 addresses the procurement of insurance or official bonds. However, this section is not applicable to insurance procured by the CSU. CSU policy for insurance is codified by EO 849, *CSU Insurance Requirements*, dated February 5, 2003. It sets forth minimum insurance limits and holds harmless provisions for agreements, contracts, and purchases.

PURPOSE

Our overall audit objective was to ascertain the effectiveness of delegated activities related to procurement and contracting, motor vehicle inspections, and real and personal property transactions and to determine the adequacy of controls over 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 of procurement activities incorporates effective internal controls, adequate local policies and operational procedures, current written delegations, and observance of good business practices in compliance with CSU policy.
- ▶ CSU competitive bidding requirements are adhered to in the procurement of goods and services, and CO approval is received prior to the purchase of restricted items.
- ▶ The responsibility for the execution of low-value purchases is properly delegated and methods for such execution are adequately controlled, and campus use of procurement cards is appropriate.
- ▶ Efforts are made to meet Small Business, Disabled Veteran Business Enterprise (DVBE), and Buy Recycled goals; purchasing preferences are properly granted; and Small Business, DVBE, 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 the use of CSU-owned vehicles comply with CSU policies, and a vehicle inspector has been designated.
- ▶ Leasing activities are adequately controlled and comply with CSU policy and state regulations, and leases are properly executed.
- ▶ Easements, rights-of-way, and quitclaims have been correctly acquired, and the sale or exchange of personal property complies with CSU policy and the EC.

SCOPE AND METHODOLOGY

The proposed scope of the audit as presented in Action Item, Agenda Item 2 of the January 25 and 26, 2011, meeting of the Committee on Audit stated that a review of Delegations of Authority would include, but was not limited to, a review of certain purchasing and contracting activities; motor vehicle inspections and use; agreements and leases; easements, rights-of-way, and quitclaim transactions; and the sale and exchange of personal property. Delegations of Authority is a mandated audit and is required by the EC 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 whether operational and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor and campus policies, letters, and directives. The audit focused on procedures in effect from July 1, 2009, through December 31, 2010.

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 and contracting activities, delegations, and limitations.
- ▶ Bidding procedures and exceptions.
- ▶ Low-value purchase methods and controls.
- ▶ Granting of purchase preferences.
- ▶ Preparation of Small Business, DVBE, and Buy Recycled reports and goal attainment.
- ▶ Execution of lease agreements.
- ▶ Motor vehicle inspection and use policies and controls.
- ▶ Easements, rights-of-way, and quitclaims and the sale or exchange of personal property.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

PROCUREMENT AND CONTRACTING ACTIVITIES

DELEGATION OF AUTHORITY

The delegation of authority for the acquisition of personal property and services was not updated nor complete.

We found that the campus delegation of authority was initiated by the vice president of administration and finance/chief financial officer (CFO) rather than by the president. Additionally, it contained a delegation to one employee who was no longer with the campus and one employee who had changed positions and no longer had procurement duties.

Executive Order (EO) 775, *Acquisition of Personal Property and Services*, dated June 6, 2001, states that authority is granted to campus presidents or designees to acquire personal property and services, including information technology resources goods and services, where applicable provisions of the *California State University Policy Manual for Contracting and Procurement* (PMCP) have been followed. The PMCP is now codified in the *Integrated California State University Administrative Manual* (ICSUAM).

ICSUAM §5102.0, *Delegation to the Campus Presidents*, states, in part, that campus presidents have received delegated authority from the chancellor to purchase, sell, lease, or license personal property in accordance with Trustee policy and law. Should campus presidents choose to further delegate their purchasing authority, campuses must maintain documentation of such delegation.

The associate vice president for finance stated that the campus' memorandum from the vice president for administration and finance/CFO delineates the established flow of authority from the legislature, to the Trustees, to the Chancellor, to campus presidents, and to campus CFOs, and he stated his belief that these base California State University (CSU) delegations of authority and accountability were well established, not ambiguous, and adequate. He further stated that the two employees cited were recent changes, and the campus memorandum would be updated.

Failure to maintain current and complete delegations of authority increases the risk of authorization errors for contracting and procurement and the possibility of unauthorized purchases and contracts.

Recommendation 1

We recommend that the campus review and update its written delegation of authority to include a direct delegation from the campus president and to ensure that all individuals with delegated authority are appropriate.

Campus Response

The campus will update the written delegations of procurement and contracting authority from the CFO to contracting officers. The campus will obtain a written delegation of procurement and contracting authority from the president to the CFO.

Estimated completion date: July 15, 2011

INSURANCE REQUIREMENTS

The campus did not always obtain evidence of required insurance coverage for service vendors and lease agreements.

We found that insurance coverage documentation was not obtained for:

- ▶ Three service vendors who conducted business on campus.
- ▶ Six of six lease and license agreements we reviewed.

California Polytechnic State University, San Luis Obispo (Cal Poly) *Service Purchase Guidelines* state that regardless of value, service vendors coming on campus to perform a service need to be processed through contracting, procurement, and risk management (CPRM) via a purchase order or contract. It further states that all vendors must provide Cal Poly proof of insurance before the vendor comes on campus to provide the service per EO 849.

EO 849, *California State University Insurance Requirements*, dated February 5, 2003, requires vendors to show evidence of adequate insurance coverage by furnishing a certificate of insurance and specifies minimum insurance coverage requirements.

ICSUAM §5230.0, *Insurance Requirements*, states that evidence of insurance is required for any campus or auxiliary organization contract involving any activity that puts the state, the CSU, or the campus at risk. It provides minimum insurance requirements for agreements where services are being performed on campus, for short-term licenses issued by the campus or auxiliary for on-campus events, and for contracts involving campus facilities and property leases. It further states that when insurance is required, vendors must be required to show evidence of insurance coverage by furnishing a certificate or certificates of insurance that include additional insured endorsements that meet specific requirements, including naming the State of California, the Trustees of the CSU, and the campus as additional insureds.

The procurement manager stated that one of the service vendors was secured by the department through the direct payment process, therefore bypassing procurement review. He further stated his belief that the buyers requested proof of insurance in the purchase order process for the other two vendors, but time and staffing constraints contributed to procedural errors. The interim director of CPRM stated that procedural errors in the lease agreements were due to time limitations and staff constraints.

Failure to obtain evidence of required insurance coverage increases the liability exposure of the campus.

Recommendation 2

We recommend that the campus obtain evidence of required insurance coverage for all service vendors and lease agreements.

Campus Response

Campus buyers will be given a policy and procedure refresher to assure required insurance coverage before services begin.

Estimated completion date: July 15, 2011

DISABLED VETERAN BUSINESS ENTERPRISE PARTICIPATION

The campus incorrectly reported one vendor as a Disabled Veteran Business Enterprise (DVBE) participant and failed to conduct DVBE solicitations in accordance with systemwide procedures.

We found that:

- ▶ The campus reported one vendor as a DVBE participant based on the mistaken belief that the vendor had an approved business utilization plan, resulting in an overstatement on its fiscal year (FY) 2009/10 DVBE participation report of approximately \$36,000.
- ▶ Eleven of the thirteen competitively bid transactions we reviewed did not contain documentation of DVBE participation by the qualified vendor or documentation of the campus' determination that DVBE participation was not required.

ICSUAM §5215.0, *DVBE Participation Goals*, states, in part, that the state has established a DVBE contracting participation goal of three percent and that this goal applies to the total contract dollars expended each year, including all contracts, purchase orders, and procurement card orders. It further states that the DVBE participation requirement applies to all competitive solicitations regardless of solicitation format or dollar value, and that the DVBE advocate, campus DVBE coordinator, or designee has the responsibility to evaluate requests for DVBE waivers for solicitations.

The procurement manager stated that, based on discussions with the vendor and the status of the contract as a CSU master enabling agreement negotiated at the chancellor's office, he had thought that the vendor was a reportable DVBE participant with a business utilization plan, and that it was not discovered until later that an approved plan was not on file with the State of California. Additionally, he stated that the campus does not interpret the language in the ICSUAM as requiring written documentation on every transaction that does not have a DVBE participant.

Failure to correctly determine DVBE certification status increases the risk of reporting errors, and failure to properly solicit and document DVBE participation requirements increases the risk of non-compliance with DVBE legislation.

Recommendation 3

We recommend that the campus correctly report DVBE participation and conduct DVBE solicitations in accordance with systemwide procedures.

Campus Response

Campus buyers will be given policy and procedure refresher training for DVBE solicitations in accordance with systemwide requirements.

Estimated completion date: July 15, 2011

PROCUREMENT CARD AUTHORIZATION DOCUMENTS

The campus did not always maintain proper documentation of procurement card authorization.

We reviewed ten individuals with procurement cards, and we found that CPRM was unable to locate the original procurement card application/authorization form for three of them.

The Cal Poly *Procurement Card Handbook*, revised on June 17, 2010, states that an application form should be completed and have the signatures of the cardholder, approving official, and the department chair/head.

ICSUAM §5205.0, *Low-Value Purchases*, states that methods for reducing the costs of low-value purchases through expedited order processing, use of procurement cards, and/or issuance of low-value purchase authorizations shall be encouraged. A low-value purchase authorization may be granted by the president or designee to individuals in departments outside the purchasing department, and such delegation of authority shall be in writing.

The procurement manager stated that the procurement card application/authorization forms may have been misplaced or sent to long-term storage during the conversion to an electronic-imaging filing system.

Failure to maintain procurement card authorization documents exposes the university to the risk of inappropriate expenditures and unauthorized activities.

Recommendation 4

We recommend that the campus maintain original procurement card application/authorization forms for all individuals with procurement cards.

Campus Response

The campus will conduct an internal review of card application and authorization forms for all individuals with procurement cards to assure they are complete, correct, and up to date.

Estimated completion date: July 15, 2011

STATE AGENCY BUY RECYCLED CAMPAIGN

The FY 2009/10 campus Buy Recycled report was incomplete.

We found that the FY 2009/10 Buy Recycled report indicated that data for 4 of 11 reportable product categories were not available, due to departmental purchases that were not reported to CPRM.

ICSUAM §5235.0, *CSU Buy Recycled Products Campaign*, states that campuses shall establish purchasing practices that assure, to the maximum extent economically feasible, the purchase of materials, goods, and supplies that are recycled or have recycled material within their content. It further states that Buy Recycled reports must be submitted annually, and that contracts including delivery of products within the reportable categories must be tracked and included in the annual Buy Recycled report.

The procurement manager stated that it has been difficult to find an efficient and effective mechanism for capturing the items in the missing categories.

Failure to collect and report on all mandated product categories increases the risk that results for both campus and systemwide reports will be inaccurate and increases the risk of non-compliance with legislative Buy Recycled mandates.

Recommendation 5

We recommend that the campus include complete data for all reportable categories in future Buy Recycled reports.

Campus Response

The campus will establish procedures to assure that future Buy Recycled reports are complete.

Estimated completion date: July 15, 2011

MOTOR VEHICLE INSPECTIONS AND USE

DELEGATION OF AUTHORITY

The campus delegation of authority for implementation of the motor vehicle inspection program was not in place during fieldwork and was not completed until January 11, 2011.

EO 691, *Motor Vehicle Inspections – Delegation of Authority*, dated November 2, 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. It further states that the campus president shall assign this function to an individual on campus and notify the chancellor's office of that individual.

The executive director of facility services stated that the original delegation could not be located, giving the president an opportunity to reassess and reassign the authority in January 2011.

Failure to maintain current written delegations of authority results in ambiguity in the responsibility for the motor vehicle inspection program and increases the risk of misunderstandings of the expectations relating to proper performance of motor vehicle inspections and maintenance.

Recommendation 6

We recommend that the campus maintain current delegations of authority for implementation of the motor vehicle inspection program.

Campus Response

We concur. The executive director of facility services received a delegation of authority from the president for implementation of the campus motor vehicle inspection program in February 2011.

MOTOR VEHICLE INSPECTION PROGRAM

The campus motor vehicle inspection program did not assure adequate preventive maintenance and lacked some required elements.

We found that:

- ▶ Ten of the twenty-five vehicles we reviewed did not receive the full scope of preventive maintenance required by campus policy. Of the ten exceptions, eight received some mechanical attention, but for two vehicles, no service records could be located.
- ▶ Campus vehicle inspection policies did not address all elements required by CSU systemwide policy. Specifically, campus policies did not address a process to review repair estimates and invoices, nor did it address all requirements for repairs conducted by outside vendors.

Cal Poly *Facility Services Procedural Guidelines*, dated June 13, 2006, state that all state-owned vehicles will undergo a regular lubrication and adjustment service at an interval of 4,000 miles or annually, whichever comes first. Additionally, a bumper-to-bumper preventive maintenance inspection will be performed at an interval of 12,000 miles or annually, whichever comes first.

CSU Use of University and Private Vehicles Policy Guidelines, dated March 2002, state that whenever possible, minor repair of CSU-owned vehicles will be performed in campus automotive shops. It further states that the campus vehicle inspector's approval is required on any repair where

the parts costs exceed \$350 or when replacement of the vehicle may be a consideration. In addition, for commercially performed repairs which will cost \$350 or more, three estimates must be obtained.

The executive director of facility services stated that although the transportation services department communicated policy to the various vehicle-holding departments and made the auto shop available for services, it did not have any enforcement action should the vehicle-holding departments fail to obtain proper preventive maintenance. Additionally, he stated that the decentralization of responsibility for campus vehicles and the lack of a clear delegate for the program contributed to inconsistent application of required CSU policy elements.

Failure to follow CSU and campus policies for repairs and maintenance of state-owned vehicles increases the risk of unnecessary repair costs and unauthorized activities, can result in premature deterioration in the asset value and usage, and negatively impacts driver safety.

Recommendation 7

We recommend that the campus:

- a. Ensure that all campus vehicles receive the full scope of preventive maintenance required by campus policy.
- b. Review and update the campus vehicle inspection program to include a process for the review of repair estimates and invoices and to address all CSU systemwide requirements for repairs conducted by outside vendors.

Campus Response

- a. Campus facility services will update the vehicle maintenance policy and post it on the facility services website. Facility services will also notify each department annually. The campus will provide multiple options for performance of required maintenance. The campus will record each annual maintenance in a database and annually review to assure each vehicle has received the required maintenance.

Estimated completion date: August 15, 2011

- b. The campus will contract with vendors through a competitive selection process in order to pre-approve a list of vehicle services. The campus transportation services website has been updated to inform campus departments of the requirements for review and approval of service provided by vendors. Facility services will also notify each department annually of procurement requirements.

Estimated completion date: August 15, 2011

VEHICLE USE CONTROLS

The campus motor vehicle inspection program did not ensure compliance with all campus and CSU policies and procedures for vehicle use.

We found that:

- ▶ Campus policies did not require departments with custody of university-owned vehicles to develop and implement a documented method to control and monitor the use of the vehicles. Although certain areas monitored vehicle use via key sign-out sheets or vehicle logs, this was not consistent throughout the campus.
- ▶ None of the ten drivers of university vehicles we reviewed had taken the required defensive-driving course in the last four years.

CSU Use of University and Private Vehicles Policy Guidelines, dated March 2002, state that university vehicles shall only be used in the conduct of university business, and that the campus must establish one point of control to control usage in accordance with federal, State of California, CSU, and campus laws, regulations, policies, and procedures. In addition, these guidelines set criteria for usage of state-owned vehicles, including a requirement that the person has satisfactorily completed a CSU-approved defensive-driving course.

The executive director of facility services stated that the decentralization of responsibility for campus vehicles and the lack of a clear delegate for the program contributed to inconsistent monitoring of vehicle usage. The director of environmental health and safety further stated that the online CSU defensive-driving course was not available for a period of more than a year, and in-person training could not be performed during that time period due to resource constraints. He stated that since the new online course became available, all new drivers have taken the course, and efforts are under way to enroll untrained drivers from the prior period when the course was unavailable.

Failure to properly control the use of university-owned vehicles increases the risk of exposure to unforeseen liability risks, unqualified drivers, and non-compliance with state, campus, and CSU policy.

Recommendation 8

We recommend that the campus:

- a. Require the departments with custody of university-owned vehicles to develop and implement a documented method to control and monitor use of vehicles.
- b. Ensure that all employees who use university vehicles complete defensive-driver training in a timely manner.

Campus Response

We concur.

- a. Campus facility services will provide options to departments for documenting control of and monitoring use of vehicles. The requirements will be posted on the transportation services website and mailed annually to all vehicle owners.

Estimated completion date: August 15, 2011

- b. All employees who submit a request to operate vehicles on university business are enrolled in our ClarityNet online defensive driver training within 10 days of receipt and are emailed instructions on how to complete the course using the campus learning management system (LearnerWeb). All backlogged forms have been input and emails sent. The environmental health and safety office will review reports of employees enrolled and employees who have completed the training with appropriate follow-up.

Estimated completion date: August 15, 2011

APPENDIX A: PERSONNEL CONTACTED

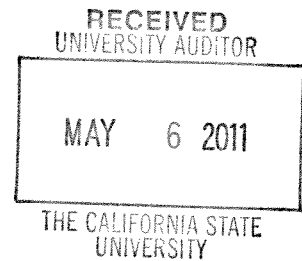
<u>Name</u>	<u>Title</u>
Jeffrey D. Armstrong	President
Robert Glidden	Interim President (at time of review)
Elizabeth Ball	Administrative Support Coordinator
Louis Bayer	Farm Maintenance Mechanic
Michael Beaubien	Equipment Technician II
Marc Benadiba	Assistant Director, Payroll and Payment Management
Cindy Campbell	Associate Director, University Police Department
Ken Delmese	Property Clerk II
Mark Hunter	Executive Director, Facility Services
Larry Kelley	Vice President, Administration and Finance
Leah Kirklin	Buyer III
Lorlie Leetham	Director, Fiscal Services
Scott Loosley	Assistant Director, Operations, Facility Services
Greg Melnyk	Procurement Manager
Jeanette Paolucci	Administrative Support Coordinator
Kimberly Perez	Assistant Director, General Accounting & Financial Reporting
Kevin Piper	Director of Agricultural Operations
David Ragsdale	Director, Environmental Health and Safety
Rick Ramirez	Associate Vice President, Finance
Brenda Tesch	Lead Buyer
Georgia Wells	Buyer II
Elizabeth Williams	Accounts Payable Lead
Dru Zachmeyer	Interim Director, Contracts, Procurement and Risk Management

CAL POLY

California Polytechnic State University
San Luis Obispo, CA 93407
Administration & Finance Division
(805) 756-2171 • Fax (805) 756-7560

06 May 2011

Mr. Larry Mandel
University Auditor
Office of the University Auditor
The California State University
401 Golden Shore
Long Beach, CA 90802-4275



Subject: Campus Responses to Recommendations of Audit Report Number 11-20,
Delegations of Authority, California Polytechnic State University, San Luis
Obispo

Dear Larry:

Enclosed in reply to your 19 April 2011 email to President Armstrong, are responses to the Delegations of Authority incomplete draft audit report (Audit Report No. 11-20). The responses are submitted to you for review and for acceptance by the Chancellor. The responses include a corrective action plan and time frame for completion.

Please direct questions to Rick Ramirez, Associate Vice President for Finance, at 805-756-2091 (rramirez@calpoly.edu).

Sincerely,

A handwritten signature in black ink that reads "Larry".

Lawrence Kelley
Vice President for Administration & Finance

cc: J. Armstrong, R. Ramirez

DELEGATIONS OF AUTHORITY

CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO

Audit Report 11-20

PROCUREMENT AND CONTRACTING ACTIVITIES

DELEGATION OF AUTHORITY

Recommendation 1

We recommend that the campus review and update its written delegation of authority to include a direct delegation from the campus president and to ensure that all individuals with delegated authority are appropriate.

Campus Response

The campus will update the written delegations of procurement and contracting authority from the CFO to contracting officers. The campus will obtain a written delegation of procurement and contracting authority from the President to the CFO.

Complete by 15 July 2011.

INSURANCE REQUIREMENTS

Recommendation 2

We recommend that the campus obtain evidence of required insurance coverage for all service vendors and lease agreements.

Campus Response

Campus buyers will be given a policy and procedure refresher to assure required insurance coverage before services begin.

Complete by 15 July 2011.

DISABLED VETERAN BUSINESS ENTERPRISE PARTICIPATION

Recommendation 3

We recommend that the campus correctly report DVBE participation and conduct DVBE solicitations in accordance with systemwide procedures.

Campus Response

Campus buyers will be given policy and procedure refresher training for DVBE solicitations in accordance with systemwide requirements.

Complete by 15 July 2011.

PROCUREMENT CARD AUTHORIZATION DOCUMENTS

Recommendation 4

We recommend that the campus maintain original procurement card application/authorization forms for all individuals with procurement cards.

Campus Response

The campus will conduct an internal review of card application and authorization forms for all individuals with procurement cards to assure they are complete, correct, and up to date.

Complete by 15 July 2011.

STATE AGENCY BUY RECYCLED CAMPAIGN

Recommendation 5

We recommend that the campus include complete data for all reportable categories in future Buy Recycled reports.

Campus Response

The campus will establish procedures to assure that future Buy Recycled reports are complete.

Complete by 15 July 2011.

MOTOR VEHICLE INSPECTIONS AND USE

DELEGATION OF AUTHORITY

Recommendation 6

We recommend that the campus maintain current delegations of authority for implementation of the motor vehicle inspection program.

Campus Response

Concur. The Executive Director of Facility Services received a delegation of authority from the president for implementation of the campus motor vehicle inspection program in February 2011.

MOTOR VEHICLE INSPECTION PROGRAM

Recommendation 7

We recommend that the campus:

- a. Ensure that all campus vehicles receive the full scope of preventive maintenance required by campus policy.
- b. Review and update the campus vehicle inspection program to include a process for the review of repair estimates and invoices and to address all CSU systemwide requirements for repairs conducted by outside vendors.

Campus Response

- a. Campus Facility Services will update the vehicle maintenance policy and post it on the Facility Services website. Facility Services will also notify each department annually. Campus will provide multiple options for performance of required maintenance. Campus will record each annual maintenance in a database and annually review to assure each vehicle has received the required maintenance.

Complete by 15 August 2011.

- b. The campus will contract with vendors through a competitive selection process in order to pre-approve a list of vehicle services. The campus Transportation Services website has been updated to inform campus departments of the requirements for review and approval of service provided by vendors. Facility Services will also notify each department annually of procurement requirements.

Complete by 15 August 2011.

VEHICLE USE CONTROLS

Recommendation 8

We recommend that the campus:

- a. Require the departments with custody of university-owned vehicles to develop and implement a documented method to control and monitor use of vehicles.
- b. Ensure that all employees who use university vehicles complete defensive-driver training in a timely manner.

Campus Response

- a. Campus Facility Services will provide options to departments for documenting control of and monitoring use of vehicles. The requirements will be posted on Transportation Services website and mailed annually to all vehicle owners.

Complete by 15 August 2011.

- b. Concur. All employees who submit a request to operate vehicles on university business are enrolled in our ClarityNet online defensive driver training within 10 days of receipt and are emailed instructions on how to complete the course using the campus learning management system (LearnerWeb). All backlogged forms have been input and emails sent. The Environmental Health & Safety Office will review reports of employees enrolled and employees who have completed the training with appropriate follow-up.

Complete by 15 August 2011.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

June 6, 2011

CHICO

MEMORANDUM

DOMINGUEZ HILLS

EAST BAY

TO: Mr. Larry Mandel
University Auditor

FRESNO

FROM: Charles B. Reed
Chancellor

FULLERTON

HUMBOLDT

SUBJECT: Draft Final Report 11-20 on *Delegations of Authority*,
California Polytechnic State University, San Luis Obispo

LONG BEACH

LOS ANGELES

In response to your memorandum of June 6, 2011, I accept the response as submitted with the draft final report on *Delegations of Authority*, California Polytechnic State University, San Luis Obispo.

MARITIME ACADEMY

MONTEREY BAY

NORTHRIDGE

CBR/amd

POMONA

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS