

DELEGATIONS OF AUTHORITY
CALIFORNIA STATE UNIVERSITY,
FULLERTON

Audit Report 11-27
June 30, 2011

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ABBREVIATIONS

AB	Assembly Bill
BOT	Board of Trustees
CO	Office of the Chancellor
CRL	Contract Resource Library
CSU	California State University
DMV	Department of Motor Vehicles
DVBE	Disabled Veteran Business Enterprise
E&IT	Electronic and Information Technology
EC	Education Code
EO	Executive Order
GC	Government Code
ICSUAM	Integrated California State University Administrative Manual
PMCP	Policy Manual for Contracting and Procurement
SB	Senate Bill
VPAT	Voluntary Product Evaluation Template

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 State University, Fullerton campus from March 28, 2011, through April 22, 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 areas: motor vehicle inspections and use and lease administration. These conditions, along with other weaknesses, are described in the executive summary and body of this report. In our opinion, except for the effect of the weaknesses 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 April 22, 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 [7]

The campus delegation of authority for purchases, sales, leases, licenses, and sole source justifications had not been properly executed for the period under audit. In addition, the campus had not fully implemented procedures to identify and review electronic and information technology purchases and to obtain Voluntary Product Evaluation Template documentation from vendors. Furthermore, the campus did not always obtain evidence of required insurance coverage for service vendors and short-term lease agreements. Finally, the campus did not always follow California State University (CSU) requirements for sole source procurement.

MOTOR VEHICLE INSPECTIONS AND USE [10]

The delegation of authority for the motor vehicle inspection program had not been properly executed and did not include the current motor vehicle inspector. In addition, the campus motor vehicle inspection program lacked some required elements and did not assure adequate preventive maintenance. Also, the campus motor vehicle program did not ensure compliance with all campus and CSU policies and procedures for the use of state-owned vehicles.

LEASE ADMINISTRATION [13]

Administration of short-term leases of campus facilities needed improvement. For example, campus policies and procedures for facilities use had not been updated since October 1988, and the president or designee had not approved the fees charged for facilities use. In addition, long-term leases for campus use of off-campus space were not always properly executed.

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 April 22, 2011.

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 campus delegation of authority for purchases, sales, leases, licenses, and sole source justifications had not been properly executed for the period under audit.

We found that the campus delegation of authority dated October 1, 2008, had been executed by the vice president of administration and finance/chief financial officer rather than by the president.

Executive Order (EO) 669, *Leases*, dated May 1, 1997, delegates the authority to execute lease agreements with limited exceptions to the president of each campus or designee.

EO 775, *Acquisition of Personal Property and Services*, dated June 6, 2001, delegates the authority to acquire personal property and services where applicable California State University (CSU) requirements have been followed to the president of each campus or designee.

The associate vice president for administration and finance stated that the delegation of authority was not properly executed due to oversight.

Failure to properly delegate purchasing and contracting authority increases the risk of unauthorized or inappropriate purchases and contracts.

Prior to our visit, the campus provided evidence that the delegation of authority for purchases, sales, leases, licenses, and sole source justifications had been recently updated and executed by the campus president.

ELECTRONIC AND INFORMATION TECHNOLOGY PURCHASES

The campus had not fully implemented procedures to identify and review electronic and information technology (E&IT) purchases and to obtain required Voluntary Product Evaluation Template (VPAT) documentation from vendors.

CSU *Product Accessibility Documentation Guidelines* require campuses to ensure that all E&IT products meet recognized accessibility and usability standards, including Section 508 of the Rehabilitation Act, at the time of procurement or adoption. The guidelines further require that vendors complete a VPAT for all E&IT products covered under the Section 508 standards.

The director of contracts and procurement stated that procedures had been developed for the information technology division to review purchase requests for E&IT purchase requisitions prior to procurement, but the procedures had not been fully implemented due to competing priorities in the information technology division.

Failure to identify and review E&IT purchases and obtain VPAT documentation from vendors increases the risk that these purchases may not comply with federal and state accessibility standards.

Recommendation 1

We recommend that the campus fully implement procedures to identify and review all E&IT purchases and obtain required VPAT documentation from vendors.

Campus Response

We concur. The campus will fully implement procedures by December 30, 2011, to identify and review all E&IT purchases and obtain required VPAT documentation from vendors.

INSURANCE REQUIREMENTS

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

We found that insurance coverage documentation was not obtained for:

- ▶ Three of the twenty-three service contracts we reviewed.
- ▶ Three of the fifteen short-term facility lease agreements we reviewed.

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.

Integrated California State University Administrative Manual (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 associate director of contracts and procurement stated that based on the campus review of both the CSU Policy Manual and ICSUAM, her belief was that proof of insurance was only required for services performed on campus, and since two of the three service contracts in question involved services performed off-campus, proof of insurance was not required. She further stated that the lack of proof of insurance for the remaining service contract and the short-term facility lease agreements was due to oversight.

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

Recommendation 2

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

Campus Response

We concur. The campus will obtain evidence of required insurance coverage by December 30, 2011, for all service vendors and short-term lease agreements.

SOLE SOURCE PROCUREMENT

The campus did not always follow CSU requirements for sole source procurement.

We reviewed 16 sole source purchases and found that one was not competitively bid, did not meet any allowed exception to competition rules, and did not include a written sole source justification on file.

ICSUAM §5206, *Sole Source Procurement*, states that, with limited exceptions, a sole source procurement is permissible only when a determination has been made and approved in writing that only one source exists for the required product or service. It further defines the limited transactions that do not require competitive bidding or a sole source determination.

The associate director of contracts and procurement stated her belief that the contract in question qualified as a public entertainment contract, and as such, did not require competitive bidding or sole source approval.

Failure to provide a sole source justification for purchases that are not competitively bid increases the risk of inappropriate expenditures and results in noncompliance with state and CSU rules and regulations.

Recommendation 3

We recommend that the campus follow all CSU requirements for sole source procurement.

Campus Response

We concur. The campus will clarify CSU requirements by December 30, 2011, and follow all applicable CSU requirements for sole source procurement.

MOTOR VEHICLE INSPECTIONS AND USE

DELEGATION OF AUTHORITY

The delegation of authority for the motor vehicle inspection program had not been properly executed and did not include the current motor vehicle inspector.

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. 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 physical plant director stated that the individuals responsible for the various aspects of the campus motor vehicle inspection program were aware of their responsibilities, and he was unaware that the written delegation was incorrect.

Failure to maintain current and complete written delegations of authority increases the risk of misunderstandings and unauthorized activities and compromises accountability.

Recommendation 4

We recommend that the campus ensure that its delegation of authority for the motor vehicle inspection program is properly executed and includes the current motor vehicle inspector.

Campus Response

We concur. The campus will ensure by October 31, 2011, its delegation of authority for the motor vehicle inspection program is properly executed and includes the current motor vehicle inspector.

MOTOR VEHICLE INSPECTION PROGRAM

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

We found that:

- ▶ Written policies for the vehicle inspection program had not been updated since February 9, 1984, did not address all of the elements required by EO 691, and did not reflect the current intervals for required maintenance.
- ▶ Campus policies did not require written approval from the vehicle inspector for repairs with parts costs that exceeded \$350.

- ▶ Of the 25 vehicles we reviewed, 22 did not receive the full scope of required maintenance every six months in accordance with current campus practice.

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, maintenance, repair and replacement policies, and detailed support procedures.

CSU Use of University and Private Vehicles Policy Guidelines, dated March 2002, states that the campus vehicle inspector's approval is required on any repair where the parts costs exceed \$350 or when replacement of a vehicle may be a consideration.

The physical plant director stated that an update to the written motor vehicle inspection policy was in progress but had not been completed due to time constraints. He further stated that a procedure for the vehicle inspector to review all work orders was in place, but documentation of his approval was not currently required. Finally, he stated that in general, maintenance was either performed but not documented, or not performed in a timely manner due to staffing constraints.

Failure to follow CSU and campus policies for repairs and maintenance of state-owned vehicles increases the risk of unnecessary repair costs, unauthorized activities, and poorly maintained motor vehicles and may negatively impact driver safety.

Recommendation 5

We recommend that the campus:

- a. Update written campus policies for the vehicle inspection program to address the elements required by EO 691 and the current intervals for required maintenance.
- b. Revise campus policies to require written approval by the vehicle inspector for repairs with parts costs that exceed \$350.
- c. Perform the full scope of required maintenance every six months on all campus vehicles in accordance with current campus practice.

Campus Response

We concur. The campus will update campus policies by October 31, 2011, to address EO 691 requirements and current intervals for vehicle maintenance, require written vehicle inspector approval for repairs exceeding \$350 in parts costs, and complete required full-scope maintenance every six months on all campus vehicles.

MOTOR VEHICLE USE

The campus motor vehicle program did not ensure compliance with all campus and CSU policies and procedures for the use of state-owned vehicles.

We reviewed 25 university-owned vehicles and 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, and vehicle logs were not generally in use. Additionally, we reviewed the use of campus-owned vehicles for 15 drivers and found that:

- ▶ For all 15 drivers, the campus had not obtained certification statements regarding their driving record and possession of a valid driver's license.
- ▶ For two drivers, written approval for vehicle use from the campus' delegated official either had not been obtained or had expired.
- ▶ For three drivers, Department of Motor Vehicles (DMV) records had not been checked at least once every four years.
- ▶ For three drivers, defensive-driver training either had not been performed or had expired.
- ▶ One driver was not a university employee or an official volunteer.

CSU Use of University and Private Vehicles Policy Guidelines, dated March 2002, states, in part, that the campus must establish one point of control in order to control usage of university vehicles and to verify and maintain all required logs. These guidelines further state that the campus control office must determine that the following criteria are met before releasing a university vehicle to an employee: Written approval of the use 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; the campus has requested a copy of the person's driving record from the DMV at least once every four years; and the person has satisfactorily completed a CSU-approved defensive-driving course and maintains a good driving record. Additionally, the operator of a vehicle must be a university employee, which includes persons on volunteer status.

The physical plant director stated that the failure of most departments to use logs was due to the fact that the university utilizes an alternate system to track and report vehicle mileage on a monthly basis to the federal fleet management system. Since this alternate tracking system satisfies federal requirements, the physical plant director stated his belief that the department of general services does not require logs. He further stated that drivers certify that they will possess a valid driver's license whenever driving a privately owned vehicle on state business and that the campus had been using this certification for the use of university-owned vehicles. He also stated that lack of written approval to operate the vehicle, lack of timely DMV record checks, and lack of timely completion of defensive-driver training were due to system-related changes in the university police department. Finally, he stated that paperwork for one campus volunteer had expired, and the department to which the

volunteer was assigned failed to recognize this because the department mistakenly believed the paperwork covered a multiyear period.

Failure to adequately control the use of university-owned vehicles increases the risk of exposure to unforeseen liabilities and unqualified drivers and the use of vehicles for unauthorized activities.

Recommendation 6

We recommend that the campus:

- a. Require all departments with custody of university-owned vehicles to develop and implement a method to control and monitor the use of state-owned vehicles by employees, and require the use of vehicle logs.
- b. Obtain certification statements from all drivers of university-owned vehicles regarding their driving record and possession of a valid driver's license.
- c. Obtain written approval for vehicle use from the campus' delegated official for all drivers of state-owned vehicles.
- d. Check DMV records at least once every four years for all drivers of university-owned vehicles.
- e. Ensure that all drivers of university-owned vehicles attend defensive-driver training in accordance with CSU policies.
- f. Ensure that only university employees or official volunteers operate university-owned vehicles.

Campus Response

We concur. The campus will develop and implement by December 1, 2011, a method to control, monitor, and log employee use of state vehicles; obtain written approval from campus-delegated officials and driver certification statements for state-owned vehicle use; check driver DMV records at least once every four years; and ensure university-owned vehicles are operated only by university employees or official volunteer drivers who have attended defensive-driver training.

LEASE ADMINISTRATION

SHORT-TERM LEASES OF CAMPUS FACILITIES

Administration of short-term leases of campus facilities needed improvement.

We reviewed 15 short-term leases of campus facilities and found that:

- ▶ Campus policies and procedures for facilities use had not been updated since October 1988.

- ▶ The campus delegation of authority did not clearly define which individuals were authorized to approve short-term leasing of campus facilities.
- ▶ Contract templates did not include standard provisions for possessory interest.
- ▶ The president or designee had not approved the fees charged for facility use, and certain fees charged were not in accordance with the fee schedule. Most fees were negotiated by departments on a case-by-case basis, although a fee schedule did exist for the Alumni House. However, fees charged for all six Alumni House rentals we reviewed did not agree with the current fee schedule.
- ▶ Facilities lease agreements were not always properly approved. In three of the four athletics facilities rentals we reviewed, lease agreements were not forwarded to contracts and procurement for approval until after the lease term was complete.

State Administrative Manual §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 further states that symptoms of control deficiencies may include policy and procedural or operational manuals that are either not currently maintained or are non-existent.

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

EO 669, *Leases*, dated May 1, 1997, states, in part, that authority is delegated to the campus president or designee subject to certain exceptions to execute leases of real property as either lessor or lessee. All agreements executed by the campus president must include, at a minimum, the standard provisions and language included in the model lease agreements maintained by the Office of the Chancellor. The chancellor's office Contract Services and Procurement department's Contract Resource Library (CRL) includes forms that describe the specific terms and requirements for the leasing of state facilities and land, as well as CSU model lease agreements. Form CRL024, *Lease of Campus Facilities*, is the model lease agreement for leasing campus property.

The associate director of contracts and procurement stated that the responsibility to oversee short-term facilities leases had been assigned to the contracts and procurement department pending the creation of a separate office to administer these leases, and as such, policies and procedures had not been updated. She also stated her belief that the delegation of authority to approve short-term facilities leases was not unclear. She further stated that the campus was unaware of the requirement for the campus president to approve facilities rental fees, and that certain fees for Alumni House rental did not agree with the fee schedule because Alumni House personnel were permitted to deviate from the rate schedule. In addition, she stated that the lack of certain standard provisions in the contracts were due to oversight. Finally, she stated that the agreements for the athletics facilities rentals were not approved by the contracts and procurement department because the agreements were not provided by the athletics department until after the rental had taken place.

Inadequate controls over the leasing of state facilities increases the risk of inappropriate rentals, unapproved and unsupported fees, and uninsured damage to university property.

Recommendation 7

We recommend that the campus:

- a. Review and update campus policies and procedures for facilities use.
- b. Revise the campus delegation of authority to clearly define which individuals are authorized to approve short-term leasing of campus facilities.
- c. Revise contract templates to include standard provisions for possessory interest.
- d. Obtain approval from the president or designee for fees charged for facilities use, and ensure that fees charged are in accordance with the fee schedule.
- e. Ensure that facilities lease agreements are properly approved.

Campus Response

We concur. The campus will review and update by December 30, 2011, facilities-use policies and procedures; clarify short-term leasing delegation of authority; revise contract templates to include possessory interest; obtain approval from the president or designee for facilities-use fees; and ensure facilities lease agreements are properly approved and fees charged comply with the approved fee schedule.

LEASING OF OFF-CAMPUS SPACE

Long-term leases for campus use of off-campus space were not always properly executed.

We reviewed two leases of off-campus space and found that one lease amendment was executed by a contract analyst who had not been granted authority to approve leases in the campus written delegation of authority.

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.

The associate director of contracts and procurement stated her belief that the contract analyst had the authority to approve lease amendments (up to \$200,000), and that this authority was not unclear in the university's delegation of authority memo.

Failure to properly execute lease agreements increases the risk of inappropriate and inconsistent processing of lease contracts and administration.

Recommendation 8

We recommend that the campus ensure that long-term leases for campus use of off-campus space are executed by an individual granted authority to approve leases in the campus delegation of authority.

Campus Response

We concur. The campus will ensure by December 30, 2011, that the campus delegation further clarifies authority to approve long-term leases for off-campus space and that leases are more clearly executed by an authorized individual.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Milton A. Gordon	President
Jim Corbett	Associate Director of Physical Plant
Naomi Goodwin	Associate Vice President of Administration and Finance
Donald Green	Director of Contracts and Procurement
Willie Hagan	Vice President for Administration and Finance and Chief Financial Officer
Bahram Hatefi	Director of Internal Audit
Brian Jenkins	Associate Vice President of Finance
Greg Keil	Building Trades Manager
Ut Le	Lead Automotive Mechanic
Margaret Titular	Assistant to the Director of Physical Plant
Willem van der Pol	Director of Physical Plant
May Wong	Executive Assistant to the Associate Vice President of Finance
Sally Yassine	Associate Director of Contracts and Procurement



CALIFORNIA STATE UNIVERSITY, FULLERTON

Office of the President
Internal Audit

P.O. Box 6810, Fullerton, CA 92834-6810 / T (657) 278-7299 / F (657) 278-5099

DATE: March 25, 2011
TO: Larry Mandel
University Auditor
FROM: Milton A. Gordon
President

Milton A. Gordon

RECEIVED
UNIVERSITY AUDITOR

AUG - 1 2011

THE CALIFORNIA STATE
UNIVERSITY

SUBJECT: Response for the Delegations of Authority at CSUF Audit Report 11-27

I am pleased to forward California State University, Fullerton's official response to the eight (8) recommendations in the Delegations of Authority at CSUF Audit Report 11-27.

Once again, we would like to thank the University Auditor and his staff for conducting the audit in a professional manner in identifying meaningful ways to improve the operational and administrative controls for the campus activities to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor Directives, and campus procedures.

The Campus Auditor, Bahram Hatefi, will also forward the responses to you electronically for your convenience. Should you have questions, please contact Bahram at (657) 278-7669 or bhatefi@fullerton.edu.

Attachments

cc: Pat Carroll, Executive Assistant to the President
Willie Hagan, Vice President for Administration & Finance
Bahram Hatefi, Director of CSUF Internal Audit
Naomi Goodwin, Assistant Vice President for Administration & Finance

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

Audit Report 11-27

PROCUREMENT AND CONTRACTING ACTIVITIES

ELECTRONIC AND INFORMATION TECHNOLOGY PURCHASES

Recommendation 1

We recommend that the campus fully implement procedures to identify and review all E&IT purchases and obtain required VPAT documentation from vendors.

Campus Response

We concur. The campus will fully implement procedures by December 30, 2011, to identify and review all E&IT purchases and obtain required VPAT documentation from vendors.

INSURANCE REQUIREMENTS

Recommendation 2

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

Campus Response

We concur. The campus will obtain evidence of required insurance coverage by December 30, 2011, for all service vendors and short-term lease agreements.

SOLE SOURCE PROCUREMENT

Recommendation 3

We recommend that the campus follow all CSU requirements for sole source procurement.

Campus Response

We concur. The campus will clarify CSU requirements by December 30, 2011, and follow all applicable CSU requirements for sole source procurement.

MOTOR VEHICLE INSPECTIONS AND USE

DELEGATION OF AUTHORITY

Recommendation 4

We recommend that the campus ensure that its delegation of authority for the motor vehicle inspection program is properly executed and includes the current motor vehicle inspector.

Campus Response

We concur. The campus will ensure by October 31, 2011, its delegation of authority for the motor vehicle inspection program is properly executed and includes the current motor vehicle inspector.

MOTOR VEHICLE INSPECTION PROGRAM

Recommendation 5

We recommend that the campus:

- a. Update written campus policies for the vehicle inspection program to address the elements required by EO 691 and the current intervals for required maintenance.
- b. Revise campus policies to require written approval by the vehicle inspector for repairs with parts costs that exceed \$350.
- c. Perform the full scope of required maintenance every six months on all campus vehicles in accordance with current campus practice.

Campus Response

We concur. The campus will update campus policies by October 31, 2011, to address EO 691 requirements, and current intervals for vehicle maintenance, require written vehicle inspector approval for repairs exceeding \$350 in parts costs, and complete required full-scope maintenance every six months on all campus vehicles.

MOTOR VEHICLE USE

Recommendation 6

We recommend that the campus:

- a. Require all departments with custody of university-owned vehicles to develop and implement a method to control and monitor the use of state-owned vehicles by employees, and require the use of vehicle logs.
- b. Obtain certification statements from all drivers of university-owned vehicles regarding their driving record and possession of a valid driver's license.

- c. Obtain written approval for vehicle use from the campus' delegated official for all drivers of state-owned vehicles.
- d. Check DMV records at least once every four years for all drivers of university-owned vehicles.
- e. Ensure that all drivers of university-owned vehicles attend defensive-driver training in accordance with CSU policies.
- f. Ensure that only university employees or official volunteers operate university-owned vehicles.

Campus Response

We concur. The campus will develop and implement by December 1, 2011, a method to control, monitor and log employee use of state vehicles; obtain written approval from campus delegated officials and driver certification statements for state-owned vehicle use; check driver DMV records at least once every four years; and ensure university-owned vehicles are operated only by university employees or official volunteer drivers who have attended defensive driver training.

LEASE ADMINISTRATION

SHORT-TERM LEASES OF CAMPUS FACILITIES

Recommendation 7

We recommend that the campus:

- a. Review and update campus policies and procedures for facilities use.
- b. Revise the campus delegation of authority to clearly define which individuals are authorized to approve short-term leasing of campus facilities.
- c. Revise contract templates to include standard provisions for possessory interest.
- d. Obtain approval from the president or designee for fees charged for facilities use, and ensure that fees charged are in accordance with the fee schedule.
- e. Ensure that facilities lease agreements are properly approved.

Campus Response

We concur. The campus will review and update by December 30, 2011, facilities use policies and procedures; clarify short-term leasing delegation of authority; revise contract templates to include possessory interest; obtain approval from the president or designee for facilities use fees; and ensure facilities lease agreements are properly approved and fees charged comply with the approved fee schedule.

LEASING OF OFF-CAMPUS SPACE

Recommendation 8

We recommend that the campus ensure that long-term leases for campus use of off-campus space are executed by an individual granted authority to approve leases in the campus delegation of authority.

Campus Response

We concur. The campus will ensure by December 30, 2011, the campus delegation further clarifies authority to approve long-term leases for off campus space and leases are more clearly executed by an authorized individual.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

August 22, 2011

CHICO

MEMORANDUM

DOMINGUEZ HILLS

EAST BAY

TO: Mr. Larry Mandel
University Auditor

FRESNO

FULLERTON

FROM: Charles B. Reed 
Chancellor

HUMBOLDT

SUBJECT: Draft Final Report 11-27 on *Delegations of Authority*,
California State University, Fullerton

LONG BEACH

LOS ANGELES

In response to your memorandum of August 22, 2011, I accept the response as submitted with the draft final report on *Delegations of Authority*, California State University, Fullerton.

MARITIME ACADEMY

MONTEREY BAY

CBR/amd

NORTHRIDGE

POMONA

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS