

THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR



BAKERSFIELD

May 13, 2016

CHANNEL ISLANDS

**MEMORANDUM**

CHICO

DOMINGUEZ HILLS

**TO:** CSU Presidents

EAST BAY

**FROM:** Timothy P. White  
Chancellor

FRESNO

FULLERTON

**SUBJECT:** Campus Reporting of Fiscal Improprieties — Executive Order 1104

HUMBOLDT

LONG BEACH

Attached is a copy of Executive Order 1104 relating to required campus reporting of certain cases of actual or suspected fiscal improprieties, including issues related to the campus itself and to an auxiliary of the campus.

LOS ANGELES

MARITIME ACADEMY

In accordance with policy of the California State University, the campus president has the responsibility for implementing executive orders where applicable and for maintaining the campus repository and index for all executive orders.

MONTEREY BAY

NORTHRIDGE

If you have questions regarding this executive order, please call the Office of Audit and Advisory Services at (562) 951-4430.

POMONA

TPW/cas

SACRAMENTO

Attachments

SAN BERNARDINO

c: CSU Office of the Chancellor Leadership  
CSU Vice Presidents of Administration and Finance

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS

**THE CALIFORNIA STATE UNIVERSITY**  
**Office of the Chancellor**  
**401 Golden Shore**  
**Long Beach, California 90802-4210**  
**(562) 951-4430**

**Executive Order:** 1104  
**Effective Date:** May 13, 2016  
**Supersedes:** Executive Order 813  
**Title:** Campus Reporting of Fiscal Improprieties

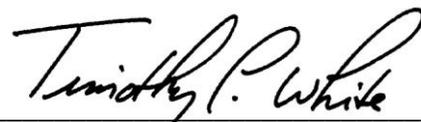
The California State University (CSU) is committed to the highest ethical standards and to creating an environment where fraudulent and other dishonest acts are not tolerated. The CSU also wants to ensure that all resources entrusted to it are used ethically, prudently, and for their designated purpose. As discussed in the State Leadership Accountability Act, internal controls are necessary to ensure that state resources are adequately safeguarded, monitored, and administered. Active oversight and monitoring processes for the prevention and early detection of fraud and errors in program administration are vital to public confidence and the appropriate and efficient use of public resources. Management of state agencies, including the CSU, must be involved in assessing and strengthening the systems of internal control to minimize fraud, errors, abuse, and waste of government funds.

As part of an ongoing effort to provide public accountability, the Chancellor (for situations related to the Chancellor's Office) and campus Presidents are required to notify CSU and other state officials of certain cases of actual or suspected fiscal improprieties, including issues related to the campus itself and to an auxiliary of the campus. These reporting requirements apply to both state and non-state funds. See Attachment A to determine whether notification is required and, if so, to whom.

Notification (note that the terms "notification" and "report" are used interchangeably) is made in a hard copy letter not later than five business days following the determination that an issue is reportable. If the discovery is the result of a whistleblower complaint, the campus still makes a notification under this executive order. The notification includes the information outlined in Attachment B. Progress reports are submitted every thirty calendar days until the review or investigation is complete.

Attachment C provides a summary of the reporting timelines.

For questions concerning the reporting of fiscal improprieties, please contact the Office of Audit and Advisory Services at (562) 951-4430.

  
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Timothy P. White, Chancellor

Dated: May 13, 2016

## **HOW TO DETERMINE WHETHER YOU NEED TO REPORT AN ACTUAL OR SUSPECTED FISCAL IMPROPRIETY**

The campus should conduct an inquiry to determine whether notification is required. An inquiry is the initial process of examining complaints, allegations, and other possible evidence of fiscal improprieties. The objective of an inquiry is to determine whether sufficient evidence exists to warrant further investigation.<sup>1</sup> Campus administrators should endeavor to complete the inquiry process within thirty calendar days of when an issue is first brought to their attention.

Actual or suspected improprieties include situations where it is determined that it is more likely than not that a fiscal impropriety has occurred. In addition to conducting inquiries into issues related to the campus itself, campus administrators should also evaluate issues related to an auxiliary of the campus.

To determine whether you need to report an actual or suspected fiscal impropriety related to the campus and/or an auxiliary of the campus, follow the steps below.

1. Based on the initial inquiry, answer the following question: Is it more likely than not that a fiscal impropriety has occurred? Examples of fiscal improprieties such as fraud, embezzlement, and theft, include but are not limited to:
  - a. Forgery or unauthorized alteration of any document or account belonging to the CSU.
  - b. Forgery or unauthorized alteration of a check, bank draft, or any other financial document.
  - c. Misappropriation of funds, supplies, or other CSU assets, including employee time.
  - d. Impropriety in the handling of money or reporting of CSU financial transactions.
  - e. Profiting as a result of insider knowledge of CSU information or activities.
  - f. Unauthorized disclosure of investment activities engaged in or contemplated by the CSU.
  - g. Accepting or seeking anything of material value from contractors, vendors, or other persons providing services or materials to the CSU, except as permitted by law and CSU policy.
  - h. Any other dishonest act regarding the finances of the CSU.
2. If the answer to question #1 is no, you do not need to report the alleged fiscal impropriety. However, it is recommended that the campus documents its inquiry process and determination to demonstrate it reviewed the situation in case a similar complaint or allegation arises in the future.
3. If the answer to question #1 is yes, to the extent possible, determine the estimated dollar value of the actual or suspected impropriety. You should include both state and non-state (e.g., auxiliary organization and student organization) funds in your estimate. If you do not report

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<sup>1</sup> For purposes of this executive order, an investigation is the process of collecting and examining evidence to determine whether a fiscal impropriety has occurred. If an investigation is warranted, it may be conducted by the campus or the campus may request the assistance of the Office of Audit and Advisory Services (OAAS). See the "How to Request an Investigation" tab on the OAAS website for more information.

an issue because you believe it may be under the reporting threshold and later discover it is above the threshold, you should make a notification at the time of that discovery. If you simply cannot determine an estimated dollar value, use your best judgment as to whether to report and to whom.

- a. If the estimated dollar value is less than \$5,000, you do not need to report the actual or suspected fiscal impropriety, but you should investigate to the extent necessary and keep a record of your findings and actions.
- b. If the estimated dollar value is between \$5,000 and \$50,000, report the actual or suspected fiscal impropriety to Chancellor's Office administrators (the Chancellor, Executive Vice Chancellor/CFO, Vice Chancellor and Chief Audit Officer), and the Chair of the Board of Trustees' Committee on Audit.
- c. If the estimated dollar value is greater than \$50,000 and state funds<sup>2</sup> or a state employee are involved, report to the California State Auditor and the Department of Finance as well as the individuals mentioned in 3.b.

Notifications under 3.b. or 3.c. above should be made not later than five business days following the determination that an issue is reportable and should be made via hard copy letter signed by the campus President or the Vice President for Administration/Chief Financial Officer (with a copy to the campus President). The names and addresses of the individuals to be notified are listed on the website for the Office of Audit and Advisory Services:

<https://csyou.calstate.edu/Tools/Audit/Pages/Reporting-Improper-Activities.aspx>

If notification is necessary, progress reports should be provided every thirty calendar days until the review or investigation is complete. See Attachment B for information about what the notifications should include and when a review or investigation is considered complete.

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<sup>2</sup> Note that "state funds" has a fairly broad definition. A complete listing of state funds can be found in the Department of Finance's Uniform Codes Manual. In addition to the General Fund, state funds include Special Revenue Funds (such as parking revenues), Capital Projects Funds, Debt Service Funds, Enterprise Funds, and Internal Service Funds, among others. Further, funds accounted for under the CSU's Revenue Management Program are still considered state funds. As a rule of thumb, if the funds would be included in the campus's financial statements, they are state funds. Remember that auxiliaries may also handle state funds and utilize state employees who may be involved in an irregularity; therefore, such cases still need to be reported to the California State Auditor and the Department of Finance if they are above the \$50,000 threshold.

## WHAT THE NOTIFICATIONS SHOULD INCLUDE

If, after reviewing Attachment A, you have determined through the inquiry process that a notification is necessary, the initial notification should be made within five business days following that determination. Campus administrators should endeavor to complete the inquiry process within thirty days of when the issue is first brought to their attention. At this stage, available information may be limited. To the extent the following information is available, it should be included in the initial notification or progress reports, and all information should be included by the time of the final report on the issue/s.

1. The sequence of events.
2. The means of discovery.
3. The internal controls that failed.
4. The corrective actions taken.
5. The actual or estimated dollar amount.
6. Any punitive actions taken or being considered.
7. When the corrective and/or punitive action(s) will be completed.
8. The job title(s) of those responsible for implementation of the action(s).
9. How the campus is planning to monitor in the future so the situation does not recur.

Please note that you do **not** need to include the names of the individuals involved in the investigation.

The notifications (including progress reports) should be made in hard copy letter and signed by the campus President or the Vice President for Administration/Chief Financial Officer (with a copy to the campus President). The names and addresses of the individuals to be notified are listed on the website for the Office of Audit and Advisory Services:

<https://csyou.calstate.edu/Tools/Audit/Pages/Reporting-Improper-Activities.aspx>

A review or investigation is considered complete when the campus has completed the decisions or actions that are within its authority. For example, if a campus conducts a criminal investigation and turns its findings over to the district attorney, completion occurs on the date the referral is made to the district attorney. Or if at the conclusion of a review or investigation the campus determines its punitive or corrective action, that information should be reported to the appropriate parties (as outlined above) and the case is considered complete. However, upon resolution of the criminal case or if the disciplinary or corrective action is subsequently changed, a follow-up report should be submitted. Progress reports and follow up reports should be submitted to all the same parties required for the initial notification.

## **SUMMARY OF REPORTING TIMELINES**

Endeavor to determine within 30 calendar days of a possible fiscal impropriety being brought to management's attention whether the issue is reportable.

### **PRELIMINARY REPORT**

If the issue is reportable, within five business days of making that determination, make a preliminary report to the applicable parties (as outlined in Attachment A, #3). All preliminary and subsequent notifications should be made in hard copy letter and signed by the campus President or the Vice President for Administration/Chief Financial Officer (with a copy to the campus President).

### **PROGRESS REPORT**

Make progress reports to the applicable parties every 30 calendar days until the review or investigation is complete.

### **FINAL REPORT**

When the review or investigation is complete (i.e., when the campus has completed the decisions or actions that are within its authority), within five business days make a final report to the applicable parties that includes the information outlined in Attachment B.

### **FOLLOW UP**

If, for example, a campus submitted a final report once it turned a criminal case over to a district attorney, upon resolution of the criminal case or in other cases if the disciplinary or correction action is subsequently changed, a follow-up report should be submitted to all the same parties required in earlier notifications.