

**FACILITIES MANAGEMENT**  
**CALIFORNIA STATE UNIVERSITY,**  
**CHANNEL ISLANDS**

**Audit Report 12-38**  
**June 12, 2012**

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**Members, Committee on Audit**

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William Hauck Steven M. Glazer  
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University Auditor: Larry Mandel  
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## **ABBREVIATIONS**

AVP	Associate Vice President
CO	Chancellor's Office
CPDC	Capital Planning, Design and Construction
CMMS	Computerized Maintenance Management System
CSU	California State University
CSUCI	California State University, Channel Islands
EO	Executive Order
FRRM	Facilities Renewal Cost Model Project
ICSUAM	Integrated California State University Administrative Manual
OPC	Operations, Planning and Construction
OUA	Office of the University Auditor
VPFA	Vice President of Finance and Administration

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## **EXECUTIVE SUMMARY**

As a result of a systemwide risk assessment conducted by the Office of the University Auditor (OUA) during the last quarter of 2011, the Board of Trustees at its January 2012 meeting directed that *Facilities Management* be reviewed. The OUA had previously reviewed *Operations and Maintenance of Plant* in 2000.

We visited the California State University, Channel Islands campus from March 12, 2012, through April 12, 2012, and audited the procedures in effect at that time.

Our study and evaluation did not reveal any significant internal control problems or weaknesses that would be considered pervasive in their effects on facilities management activities. However, we did identify other reportable weaknesses that are described in the executive summary and body of this report. In our opinion, the operational and administrative controls for facilities management activities in effect as of April 12, 2012, 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.

### **CHARGEBACKS AND NON-MAINTENANCE WORK [6]**

The campus did not always document the vice president of finance and administration’s review and approval of the annual calculation for overhead chargeback rates.

### **UTILITIES MANAGEMENT [6]**

The campus had not submitted monthly energy utilization reports to the chancellor’s office on a timely basis.

### **PHYSICAL AND LOGICAL SECURITY [7]**

The campus did not reauthorize the provision of facility keys and/or access devices to students on a semester-by-semester basis. In addition, administration of access to the work order system needed improvement. Specifically, formal policies and procedures for reviewing access to the Computerized Maintenance Management System had not been established, and certain employees had administrator rights that, based on their job duties, appeared excessive.

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## INTRODUCTION

### **BACKGROUND**

The Legislative Analyst's Report on the 1979/80 budget addressed the need to protect the substantial public investment represented by California State University (CSU) facilities, and the Legislature subsequently directed the CSU to implement a preventive maintenance program on each campus. In December 1979, a CSU Task Force on Plant Maintenance was appointed to explore preventive maintenance needs for the system. It concluded that the concept of preventive maintenance was too narrow in scope to accommodate the total maintenance needs of the CSU. Consequently, the concept of "planned/programmed maintenance," which incorporated preventive maintenance and systematic planning and programming, was proposed. The CSU Executive Council reviewed the task force report and approved the concept in March 1981. Since then, the CSU has issued a sequence of directives and executive orders to reflect the system's commitment to ensuring that facilities-related assets are adequately maintained.

In 1999, the Office of the University Auditor conducted an audit of *Operations and Maintenance of Plant* at ten campuses and issued a systemwide report. The report included exceptions related to planned/programmed maintenance, work order administration, cost recovery, and chargebacks and required facilities condition reporting to the Office of the Chancellor (CO). Several of the recommendations from the resulting systemwide report were incorporated into Executive Order (EO) 757, issued September 1, 2000, and later into EO 847, *Policy Statement on Facility Maintenance*, issued January 10, 2003. The latter is the most recent dictate on the subject.

In 2000, the CSU adopted the Facilities Renewal Cost Model Project (FRRM) with the long-term objective of securing adequate funding for deferred maintenance and renewal needs for CSU physical plants. FRRM implementation provided a standardized means for campuses to fulfill the requirement to prepare an annual five-year projection of deferred maintenance and capital renewal costs. It also provided the CO with information necessary for capital budgeting and planning.

Since the last audit and the adoption of FRRM, the CSU system has been confronted with funding appropriation challenges that have had a profound effect on facilities maintenance. The CSU support budget documentation for 2012/13 identifies a deferred maintenance need of \$470 million. However, this amount represents the highest priority projects out of an estimated \$1.6 billion in deferred maintenance and capital renewal backlog derived from the 2009/10 FRRM data. The model also concludes that absent investment of at least \$99 million per year to maintain the current backlog level, the need will grow to \$2.2 billion by 2016.

Meanwhile, appropriations for the CSU Capital Outlay budget have decreased significantly over the past several years, from \$410 million for 2007/08 to less than \$20 million in 2012/13. Between the fiscal years 2005/06 and 2008/09, the Trustees and the legislature provided for \$140 million within the budget for capital renewal projects, but that funding has since ceased. The Five-Year Capital Improvement Plan for 2012/13 reflects campus facility needs approaching \$6 billion. However, this number is artificially depressed by criteria, created to encourage campus prioritization, that limits the number of projects the campuses can request for funding. The CO's Capital Planning, Design and Construction (CPDC) office, in consultation with the Trustees, has been working on solutions for funding infrastructure renewal, seismic strengthening, and other capital priorities.

The CSU codified its commitment to energy conservation and sustainability in February 1989 with the issuance of EO 538, *Policy Statement on Energy Conservation and Utilities Management for the California State University and Energy Consumption Reduction Goal for 1992/93 Compared to 1986/87*. This EO was superseded in August 2006 with EO 987, *Policy Statement on Energy Conservation, Sustainable Building Practices, and Physical Plant Management for the California State University*. This EO retained general operational provisions and sustainable building practices while adding the CSU Sustainable Measurement Checklist process. Since some of the deadlines for energy conservation goals outlined in the EO have expired, and other mandates within the EO have been deemed outdated, CPDC is considering options on how to update and issue new guidelines.

## **PURPOSE**

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to facilities management and to determine the adequacy of controls over related processes to ensure compliance with relevant Trustee policy, Office of the Chancellor directives, and campus procedures.

Within the overall audit objective, specific goals included determining whether:

- ▶ Administration of facilities management is well defined and includes clear lines of organizational authority and responsibility and documented delegations of authority.
- ▶ Management has established policies and procedures for facilities maintenance and utilities management and has developed the means to monitor and measure compliance with applicable laws and CSU policies.
- ▶ Facilities management risks have been identified, assessed, and monitored.
- ▶ A comprehensive planned/programmed maintenance schedule that captures all preventive maintenance and repair requirements is in place.
- ▶ The campus has effectively identified facility deferred maintenance and capital renewal needs and is reporting the information to the CO annually.
- ▶ The campus has implemented an effective computerized maintenance management system (CMMS) to ensure proper administration of maintenance tasks, including scheduling, costs management reporting, and productivity tools to account for resource utilization.
- ▶ The campus is preparing and submitting biennial facilities assessments and equipment audits to the CO in an accurate and timely manner.
- ▶ The campus has implemented effective and efficient custodial and groundskeeping programs that include productivity and performance standards to ensure the work is performed in an effective and efficient manner.
- ▶ The campus has implemented controls to ensure proper capture, tracking, and collection of costs for non-maintenance and auxiliary-related work orders.
- ▶ The campus has implemented an effective utility tracking system to capture and report information pertinent to CSU goals for sustainability and energy conservation.
- ▶ Keys and other physical access devices are issued to authorized individuals, and access devices are properly secured and monitored.
- ▶ Systems and applications under facilities management administration are adequately controlled and secured, and access rights are granted on a need-to-know basis.

## **SCOPE AND METHODOLOGY**

The proposed scope of the audit as presented in Attachment A, Audit Agenda Item 2 of the January 24 and 25, 2012, meeting of the Committee on Audit stated that *Facilities Management* includes custodial services; groundskeeping; facility repairs, preventive maintenance, and renovations; and utility distribution. Proposed audit scope would include, but was not limited to, review of cost allocations; deferred maintenance; building and grounds conditions; sustainable building practices; materials and equipment inventory; and work order scheduling and control systems.

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 Board of Trustee policies and Office of the Chancellor and campus policies, letters, and directives. The audit focused on procedures in effect from January 1, 2010, through February 28, 2012.

We focused primarily on the internal administrative and operations controls over facilities management activities. Specifically, we reviewed and tested:

- ▶ The campus framework for facilities management, including the required implementation of a CMMS and a utility tracking system.
- ▶ Methods by which the campus identifies, prioritizes, and monitors routine, preventive, and special maintenance projects.
- ▶ The capabilities and management utilization of a CMMS to capture and monitor task progress and to track resource allocations and costs.
- ▶ Methods by which the campus identifies and quantifies deferred maintenance backlog, and the escalation of the information to the proper management level, including the CO.
- ▶ Methods for capturing and recovering costs of services provided to non-state and auxiliary organizations.
- ▶ The campus strategic energy resource plan and its correlation to systemwide goals for energy conservation and sustainability.
- ▶ Compliance with specific energy conservation policies.
- ▶ Devices and technology used to control physical access to campus facilities.

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

### **CHARGEBACKS AND NON-MAINTENANCE WORK**

The campus did not always document the vice president of finance and administration's (VPFA) review and approval of the annual calculation for overhead chargeback rates.

We found that although the campus documented the calculation of the rates, there was no evidence of VPFA's review and approval of this document.

Executive Order (EO) 847, *Policy Statement on Facility Maintenance*, dated January 10, 2003, states that the campus facilities department is responsible for providing non-maintenance service and improvements, and shall be reimbursed the actual direct and indirect costs associated with these services.

California State University, Channel Islands (CSUCI) Policy FA.01.003, *Policy on Chargebacks*, dated July 1, 2011, states that the markup rate for indirect costs will be established annually, based on a set standard calculation. It further states that the VPFA shall be responsible for establishing the cost recovery rates for direct and indirect costs.

The associate vice president (AVP) of operations, planning and construction (OPC) stated that the new rates had been presented to the VPFA in a meeting, and he did not think that documented approval of the rates by the VPFA was necessary.

Lack of documented approval of overhead chargeback rates increases the risk that the campus operating fund will not be fully compensated for maintenance and other support provided to auxiliary enterprises and other campus areas.

#### **Recommendation 1**

We recommend that the campus document the VPFA's approval of the annual calculation for overhead chargeback rates.

#### **Campus Response**

The campus will document the VPFA's approval of the annual calculation for overhead chargeback rates by July 31 of each year.

### **UTILITIES MANAGEMENT**

The campus had not submitted monthly energy utilization reports to the chancellor's office (CO) on a timely basis.

We found that energy reports for the months of October 2010 through November 2011 were not submitted until January 2012.

EO 987, *Policy Statement on Energy Conservation, Sustainable Building Practices, and Physical Plant Management for the California State University*, dated August 2, 2006, states that the campuses are responsible for providing the CO with the data necessary for central reporting on systemwide energy utilization.

The AVP for OPC stated that the campus delayed submission of the monthly energy reports while it was in the development and testing phase of a new utility tracking system that would automate the reports.

Non-compliance with deadlines for submission of monthly energy reports increases the risk that systemwide planning and initiatives for energy conservation will be hampered or flawed due to lack of relevant data.

### **Recommendation 2**

We recommend that the campus submit monthly energy utilization reports to the CO on a timely basis.

### **Campus Response**

The campus's utility tracking system database is now complete. Since January 2012 the campus has been submitting monthly energy utilization reports to the CO, and will continue to do so in a timely manner.

## **PHYSICAL AND LOGICAL SECURITY**

### **KEYS ISSUANCE**

The campus did not reauthorize the provision of facility keys and/or access devices to students on a semester-by-semester basis.

CSUCI Policy FA.40.003, *Policy on Access Management and Facility Security*, dated May 16, 2011, states that student custody of keys and/or access devices must be approved by the responsible department on a semester-by-semester basis.

The AVP for OPC stated that campus management had decided to forgo the reauthorization requirement to streamline the process for issuing facility keys and/or access devices and reduce inefficiencies. He further stated that the campus has plans to update the policy, when it is due for revision, to reflect this decision.

Failure to reauthorize the provision of facility keys and/or access devices to students increases the risk that keys will be unaccounted for or misused.

### **Recommendation 3**

We recommend that the campus reauthorize the provision of facility keys and/or access devices to students on a semester-by-semester basis.

### **Campus Response**

This finding is based on Campus Policy FA.40.003, *Policy on Access Management and Facility Security*. The campus will review the policy and revise key access procedures to reflect any operating changes by August 17, 2012.

## **WORK ORDER SYSTEM ACCESS REVIEWS**

Administration of access to the work order system needed improvement.

We found that:

- ▶ Formal policies and procedures for reviewing access to the Computerized Maintenance Management System (CMMS) had not been established.
- ▶ Seven of nine employees had administrator rights that, based on their job duties, appeared excessive.

Integrated California State University Administrative Manual (ICSUAM) §8060.0, *Access Control*, dated April 19, 2010, states that appropriate campus managers and data owners must review, at least annually, user access rights, and that the review must be documented. It further states that campus information assets must be limited to only those having a need for specific access in order to accomplish an authorized task.

The AVP for OPC stated that the campus was unaware of the requirement to conduct access reviews on at least an annual basis.

Failure to adequately control user access to systems increases campus exposure to loss from inappropriate acts.

### **Recommendation 4**

We recommend that the campus:

- a. Establish formal policies and procedures for reviewing access to the CMMS.
- b. Review the current assignment of administrator rights to determine if the access is appropriate based on job duties.

**Campus Response**

- a. The campus will establish formal procedures for reviewing access to CMMS in accordance with ICSUAM §8060.0, and these will be documented and implemented in the form of an administrative directive no later than August 31, 2012.
- b. The campus has completed its review of assignment of administrator rights and has adjusted the rights based on job duties.

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## **APPENDIX A: PERSONNEL CONTACTED**

<u>Name</u>	<u>Title</u>
Richard R. Rush	President
Raudel Banuelos	Director of Facility Services
Tim Berndston	Manager of Logistical Services
Tom Brown	Interim Director of Operations
Dave Chakraborty	Associate Vice President, Operations, Planning and Construction
Terrie Cilley	Administrative Services Supervisor
Wesley Cooper	Assistant Director of Operations
Caroline Doll	Director of Special Projects, Finance and Administration
Loren Fleming	Locksmith
Anna Pavin	Associate Vice President, Human Resources
Ysabel Trinidad	Vice President of Finance and Administration



Channel Islands

CALIFORNIA STATE UNIVERSITY

DIVISION OF FINANCE & ADMINISTRATION

July 12, 2012

RECEIVED  
UNIVERSITY AUDITOR

JUL 12 2012

THE CALIFORNIA STATE  
UNIVERSITY

Mr. Larry Mandel  
University Auditor  
The California State University  
401 Golden Shore, 4<sup>th</sup> Floor  
Long Beach, CA 90802-4200

RE: Campus Responses to Recommendations: Audit Report 12-38 Facilities  
Management

Dear Mr. Mandel,

Attached please find CI's campus response to the Facilities Management Audit  
12-38.

Upon acceptance, we will follow up with your office to provide supporting  
documentation for each of the recommendations by the anticipated completion  
dates.

Please let me know if you have any questions or would like further information  
related to the attached response.

Sincerely,

Ysabel Trinidad  
Vice President for Finance and Administration

Enclosure

cc: President Richard Rush

**FACILITIES MANAGEMENT**  
**CALIFORNIA STATE UNIVERSITY,**  
**CHANNEL ISLANDS**

**Audit Report 12-38**

**CHARGEBACKS AND NON-MAINTENANCE WORK**

**Recommendation 1**

We recommend that the campus document the VPFA's approval of the annual calculation for overhead chargeback rates.

**Campus Response**

The campus will document the VPFA's approval of the annual calculation for overhead chargeback rates by July 31 of each year.

**UTILITIES MANAGEMENT**

**Recommendation 2**

We recommend that the campus submit monthly energy utilization reports to the CO on a timely basis.

**Campus Response**

The campus's Utility Tracking System database is now complete. Since January, 2012 the campus has been submitting monthly energy utilization reports to the CO, and will continue to do so in a timely manner.

**PHYSICAL AND LOGICAL SECURITY**

**KEYS ISSUANCE**

**Recommendation 3**

We recommend that the campus reauthorize the provision of facility keys and/or access devices to students on a semester-by-semester basis.

**Campus Response**

This finding is based on Campus Policy FA 40.003, *Policy on Access Management and Facility Security*. The campus will review the policy and revise key access procedures to reflect any operating changes by August 17, 2012.

**WORK ORDER SYSTEM ACCESS REVIEWS**

**Recommendation 4**

We recommend that the campus:

- a. Establish formal policies and procedures for reviewing access to the CMMS.
- b. Review the current assignment of administrator rights to determine if the access is appropriate based on job duties.

**Campus Response**

- a. The campus will establish formal procedures for reviewing access to CMMS in accordance with SUAM 8060.0, and will be documented and implemented in the form of an Administrative Directive no later than August 31, 2012.
- b. The campus has completed its review of assignment of administrator rights and has adjusted the rights based on job duties.

THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

August 3, 2012

CHICO

DOMINGUEZ HILLS

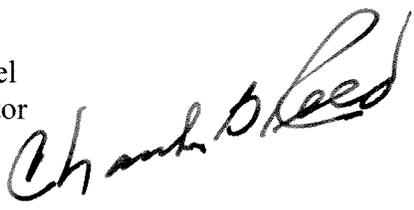
**MEMORANDUM**

EAST BAY

TO: Mr. Larry Mandel  
University Auditor

FRESNO

FULLERTON

FROM: Charles B. Reed   
Chancellor

HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report 12-38 on *Facilities Management*,  
California State University, Channel Islands

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of August 3, 2012, I accept the response as submitted with the draft final report on *Facilities Management*, California State University, Channel Islands.

MONTEREY BAY

NORTHRIDGE

CBR/amd

POMONA

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS