October 19, 2018

Dr. Lisa A. Rossbacher
President
Humboldt State University
1 Harpst Street
Arcata, CA 95521

Dear Dr. Rossbacher:

Pursuant to a request from your office and approval from the Chair of the Board of Trustees’ Committee on Audit on April 5, 2018, Audit and Advisory Services has conducted an investigation in response to an allegation raised by Humboldt State University (campus) administrators. Specifically, we investigated an allegation that expenditures made by an employee in the Office of Diversity, Equity, and Inclusion using a campus-issued procurement card were inappropriate and not in compliance with applicable criteria.

We were unable to substantiate the allegation that expenditures made by the employee were inappropriate and not in compliance with applicable criteria. However, we noted numerous concerns in regard to incomplete, inaccurate, and unclear information related to hospitality expenditures made by the employee, items delivered to the employee’s home, the employee’s use of personal online accounts, and the number of lost receipts. In addition, we found that the employee used her procurement card to purchase four meals while traveling out of state and also requested and received a travel reimbursement for those same meals.

Included within the report are the results of the investigation, along with specific recommendations that we believe would benefit the campus’s fiscal and operational management.

Sincerely,

Larry Mandel
Vice Chancellor and Chief Audit Officer

C: Douglas Faigin, Chair, Committee on Audit
   Timothy P. White, Chancellor
SPECIAL INVESTIGATION

HUMBOLDT STATE UNIVERSITY

PROCUREMENT CARD PURCHASES LACKED COMPLETE, ACCURATE, AND CLEAR SUPPORTING DOCUMENTATION

Investigative Report 18-200
September 14, 2018

Members, Committee on Audit
Douglas Faigin, Chair
Hugo N. Morales, Vice Chair
Jack McGrory     Lateefah Simon

Staff
Vice Chancellor and Chief Audit Officer: Larry Mandel
Director of Investigations: Cindy Sanford
Senior Investigative Auditor: Sharon Best

BOARD OF TRUSTEES
THE CALIFORNIA STATE UNIVERSITY
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ABBREVIATIONS

ASC Administrative Support Coordinator
Campus Humboldt State University
ODEI Office of Diversity, Equity, and Inclusion
EXECUTIVE SUMMARY

INITIAL ALLEGATION

Expenditures made by an employee (Employee A) in the Office of Diversity, Equity, and Inclusion (ODEI) using a campus-issued procurement card were inappropriate and not in compliance with applicable criteria.

INVESTIGATION RESULTS

We were unable to substantiate the allegation that expenditures made by Employee A using a campus-issued procurement card were inappropriate and not in compliance with applicable criteria. However, during our review of expenditures made by Employee A, we noted the issues below.

Incomplete, Inaccurate, or Unclear Information Related to Hospitality Expenditures

Employee A used her campus-issued procurement card on 179 hospitality expenditures totaling $15,654. While campus policy requires that each hospitality expenditure be accompanied by a payment request form that details the explanation of the event, a description of the benefit to the campus, the number of attendees, and a general description of the attendees, we found this information was incomplete, inaccurate, or unclear in 43 instances.

Items Delivered to the Employee’s Home

Employee A made many purchases that were delivered to her home address. Campus policies do not contain a prohibition against having items delivered to a residence, and the employee stated that all of these purchases were related to her work in some way and that she either gave the items to students, faculty, staff, or community members or brought them in to the ODEI office.

Use of Personal Online Accounts

Employee A used the procurement card with her personal online accounts to purchase digital items, one of which was a video streaming subscription for her daughter.

Lost Receipts

Employee A submitted 40 lost-receipt memos for the 12-month period between February 2017 and January 2018, an average of more than three a month. Although the employee complied with campus policy by submitting the lost-receipt memos, six of the lost receipts were from online vendors from which one could easily obtain copies of receipts.

Duplicate Claim for Reimbursement

Employee A used her procurement card to purchase four meals while traveling out of state and also requested and received a travel reimbursement for those same meals.
INTRODUCTION

BACKGROUND

Division of Academic Affairs

The role of Humboldt State University’s (campus) division of Academic Affairs is to promote and provide excellence in teaching, mentoring, and support so students can meet their higher education goals in an intellectual community characterized by close interaction between faculty and students. Academic Affairs is composed of many areas, including various academic colleges, the library, enrollment management, and other offices, including the Office of Diversity, Equity, and Inclusion.

Office of Diversity, Equity, and Inclusion

The Office of Diversity, Equity & Inclusion (ODEI) is focused on systems change in support of equitable and inclusive learning and community spaces. Examples of this strategic approach to dismantling institutional and systemic racism include involvement with ongoing trainings for all faculty, staff, and administrators, as well as implementation of new policy and revision of inequitable practices that create institutional racism. In addition to offering educational opportunities for the HSU community, ODEI supports the recruitment and retention of faculty and staff of color.

Finally, as a campus community, ODEI’s mission is to strive forward with asset-based equity, student success, and student-centered initiatives that create equity, value diversity, and create a healthy campus climate.

Campus Actions and Notifications

In March 2018, as part of a new review policy, an Academic Affairs administrator questioned purchases made by Employee A on a campus-issued procurement card for items such as food and gift cards. After further review, the campus was concerned that Employee A may have made improper purchases. On April 5, 2018, the campus president requested that the Office of the Chancellor conduct an investigation into the concerns that resulted from their review; the request was endorsed by the chancellor and approved by the chair of the Committee on Audit that same day.

SCOPE AND METHOD OF INVESTIGATION

To investigate the allegation, we reviewed all the expenditures made by Employee A between September 2016 and March 2018 using her campus-issued procurement card, including the procurement card statements and supporting invoices, to determine whether there were appropriate receipts, approvals, and justifications. We also obtained Employee A’s email, photos of her current and former offices, and other information the campus provided. In addition, we reviewed relevant criteria and interviewed campus personnel, as well as students.
RESULTS OF INVESTIGATION

ALLEGATION AND FINDINGS

We were unable to substantiate the allegation that expenditures made by Employee A using a campus-issued procurement card were inappropriate and not in compliance with applicable criteria. However, during our review of expenditures made by Employee A, we noted numerous concerns about incomplete or inaccurate information related to Employee A’s hospitality expenditures, the fact that many items were delivered to Employee A’s home address, the use of personal online accounts, and the number of lost receipts. In addition, Employee A made a duplicate claim for reimbursement.

Incomplete, Inaccurate, or Unclear Information

We reviewed 525 transactions totaling approximately $47,000 made by Employee A in the 18 months between September 2016 and March 2018. The information provided by Employee A to support the expenditures was often incomplete or inaccurate; however, due in part to employee turnover and lack of training¹, the individuals reviewing and approving the expenditures either did not detect the irregularities or did not follow up on them.

Expenditures for Hospitality, Events, and Gift Cards

Employee A made 179 hospitality expenditures totaling $15,654. All but three of the expenditures occurred over a 12-month period between March 2017 and February 2018, meaning that the employee averaged approximately 3.4 hospitality expenditures per week. Hospitality includes the purchase of any food or beverages either at restaurants or at stores for events. It also includes gift card purchases. Hospitality expenditures were paid for using the campus's operating fund and are allowable as long as they relate directly to, or are associated with, the active conduct of official campus business. Each hospitality expenditure must have a direct or indirect benefit to the campus. Hospitality expenditures that are of a personal nature are not allowed. Although campus policy requires that each hospitality expenditure be accompanied by a payment request form that includes an explanation of the event, a description of the benefit to the campus, the number of attendees, and either a list of attendee names or a description of the group, department or affiliation depending on the group size, we found this information was incomplete, inaccurate, or unclear in 43 instances.

Hospitality and Events
Specific examples of our concerns include:

- Two employees listed as attendees at several events told us they were not at many of these events. When asked about this, Employee A explained that she usually completed the payment request forms at the end of the month and did not keep good records of everything; she tried to remember who attended, but could not say for sure now.

¹ In November 2017, the campus began requiring all cardholders and their approving officials to complete a training course on procurement card policy. Each new cardholder must complete the training prior to receiving and using the procurement card.
• Employee A could not produce corroborating documentation (such as event flyers) to show that most of these hospitality events occurred. The employee explained that copies of all flyers and relevant documents related to programming, events, activities, collaborations, and gift cards were in a file folder and flash drive she no longer has. She said it was the responsibility of the administrative support coordinator (ASC) to keep these documents organized and scanned to the shared drive. The ASC no longer works in the ODEI office, and when we asked the current executive director of the ODEI about this, she did not know anything about a file folder. She was able to locate ODEI files on a shared computer drive, but these files did not contain corroborating documentation for the hospitality events in question.

• Employee A had pizza delivered to her home address on four different occasions. The employee explained that she frequently hosted students at her home because they did not feel safe on campus. The specific students were not identified.

Gift Cards
As mentioned above, hospitality expenditures also include the purchase of gift cards. Employee A purchased $1,932 worth of gift cards for five different hospitality events. Campus policy requires that a disbursement log identifying the recipient(s) be completed for each gift card awarded. We reviewed the listing of 34 individuals who allegedly received gift cards and identified 14 students, 18 non-students, and two with no names listed. We reached out to all 14 students and were able to speak with nine of them. Seven stated they never received a gift card. Employee A initially told us she purchased the gift cards for events she hosted and recipients would have included students, staff, and community members, but she could not remember the specific events. We also asked Employee A for more information on the 18 non-student names listed on the disbursement logs, and she said she did not remember who they were. When we told Employee A that most of the students we spoke to stated that they never received gift cards, the employee provided a different explanation. Specifically, she said that instead of having bought the gift cards for events she hosted, she donated gift cards to numerous student events and activities hosted by others. She provided the disbursement log to the leaders of those events and asked them to complete it. Consequently, she did not know why so many of the students listed stated they did not receive gift cards or who the non-students listed were.

Items Shipped to Home Address
Employee A made 37 online purchases totaling $2,127 that were delivered to her home address. Although campus policies do not contain a prohibition against having items delivered to a residence, Employee A said she did this by mistake because she orders personal items from the same retailer, and her home address was in their system. Employee A further stated that all of these purchases were related to her work (i.e., programming, student/community outreach, promoting diversity, office use) and that she either gave the items to students, faculty, staff, or community members or brought them in to the ODEI office; none of the items were at her home. However, we reviewed photos of the ODEI office from May 2018 and were unable to identify most of these items. When we asked the employee to explain why the items were not there, she stated that she brought all the items in to the office, where they remained prior to an office move in November 2017. Examples of the missing items include vinyl records, a turntable, and dining room chairs.
Use of Personal Online Accounts

Using her campus-issued procurement card, Employee A placed 19 online orders for digital items totaling $281, but these items were often accessed through Employee A’s personal accounts. Many of these purchases did not appear to be work-related, including a subscription to an on-demand video streaming website. When we asked the employee about the digital purchases, she stated generally that no one told her while she was making these purchases that they were not OK, and she was unaware of any issues; however, she did not elaborate on how these items were work-related. She also stated that the subscription to the video streaming website was for her daughter, that she purchased it using the procurement card by accident, and that she would repay the campus.

Lost Receipts

If an employee loses a receipt and a duplicate copy cannot be obtained from the vendor, or if an employee does not have an itemized hospitality receipt, campus policy requires that they complete a lost-receipt memo. Employee A submitted 40 of these memos for transactions that occurred over the 11-month period between February 2017 and January 2018, for an average of more than three a month. Although the employee complied with policy by submitting the lost-receipt memos, six of the lost receipts were from two online vendors from which one could easily obtain copies of receipts, and Employee A was unable to explain clearly why she had not done so.

Duplicate Claim for Reimbursement

Employee A used her campus-issued procurement card to purchase meals while traveling out of state and also requested and received a travel reimbursement for those same meals. The duplicate claims were for four meals totaling $80. The employee told us she would repay the campus for any duplicate payments.
RECOMMENDATIONS

Our investigation was administrative in nature. The conclusions we drew were made within that context. Recommendations that would mitigate the recurrence of similar findings are presented below.

We recommend that the campus:

1. Remind cardholders and other employees involved in the review and approval process that all approval forms related to procurement card expenditures, such as the payment request form and lost receipt memos, must be completely filled out.

2. Reiterate to procurement card approving officials that they are solely responsible for reviewing cardholder transactions for appropriateness and compliance as they are the individuals with firsthand knowledge about the programmatic needs of their departments and/or offices.

3. Identify employees with campus-issued procurement cards and their associated approving officials and ensure that they have completed the required procurement card training course.

4. Create a policy or guideline to address whether or under what circumstances items may be shipped somewhere other than the campus.

5. Create a policy or guideline which limits the number of lost receipt memos employees are allowed to submit. If employees exceed this limit, the campus should not allow those employees to maintain their campus-issued procurement cards.

Campus Response

1. We concur. Contracts and procurement will provide additional training to both cardholders and approvers related to required expenditure and approval processes. Additionally, updated procurement card guidelines will be communicated broadly across campus.

Estimated completion: By December 31, 2018

2. We concur. Contracts and procurement will provide additional training to approvers related to required expenditure and approval processes. Additionally, each division will ensure that program mission statements are current and accurately describe the function, to provide clarity for appropriate expenditures.

Estimated completion: By February 28, 2019

3. We concur. Contracts and procurement created and implemented an online procurement card training in November 2017 for both cardholders and approvers. This training will be updated to allow for additional signoffs of specific procedures within the procurement card
guidelines, including a statement that the individual has thoroughly reviewed and agrees to the guidelines. Additionally, a quarterly report of cardholders and approvers who have not taken the training will be provided to vice presidents to follow up with respective employees.

Estimated completion: By October 31, 2018

4. We concur. Contracts and procurement will update procurement guidelines, which support Integrated California State University Administrative Manual (ICSUAM) §5250, Procurement Cards, and communicate the update broadly across campus through in-person visits to groups across campus, the website, and portal announcements. Additionally, updated guidelines will require approving officials to separately approve purchases shipped to anywhere other than the campus.

Estimated completion: By January 31, 2019

5. We concur. Updated procurement card guidelines, which support ICSUAM §5250 Procurement Cards, will require approving officials to separately approve/sign the Lost Receipt Memo, and this will be the responsibility of the approving official. When the approving official and/or accounts payable sees repeated lost receipts that exceed the number allowed by the revised guidelines, the cardholder will lose their procurement card privileges.

Estimated completion: By January 31, 2019

Additional Campus Response

In addition to the responses listed above, the university is taking the following action:

The institution, through its appropriate personnel, will follow up on statements in the report by Employee A that several purchases were not work-related and that the university would be repaid. These include a subscription to a video-streaming website for the employee’s daughter and reimbursements claimed for meals that had already been charged to the campus-issued procurement card. The university will seek repayments for these inappropriate charges.