LOTTERY FUNDS

SYSTEMWIDE

Audit Report 14-21
November 21, 2014

Members, Committee on Audit

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BOARD OF TRUSTEES
THE CALIFORNIA STATE UNIVERSITY
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## ABBREVIATIONS

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<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Act</td>
<td>The California State Lottery Act of 1984</td>
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<tr>
<td>BOT</td>
<td>Board of Trustees</td>
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<tr>
<td>CO</td>
<td>Office of the Chancellor</td>
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<tr>
<td>CSU</td>
<td>California State University</td>
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<tr>
<td>EO</td>
<td>Executive Order</td>
</tr>
<tr>
<td>EVC</td>
<td>Executive Vice Chancellor</td>
</tr>
<tr>
<td>FY</td>
<td>Fiscal Year</td>
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<tr>
<td>OAAS</td>
<td>Office of Audit and Advisory Services</td>
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</table>
EXECUTIVE SUMMARY

As a result of a systemwide risk assessment conducted by the Office of Audit and Advisory Services (OAAS) during the last quarter of 2013, the Board of Trustees, at its January 2014 meeting, directed that Lottery Funds (LF) be reviewed. The OAAS has never reviewed lottery funds as a stand-alone audit.

We visited six campuses from January 27, 2014, to June 13, 2014, and audited the procedures in effect at that time. Campus-specific findings and recommendations have been discussed and reported individually.

In our opinion, except for the effect of the weaknesses described below, the fiscal, operational, and administrative controls for LF activities as of June 13, 2014, taken as a whole, were sufficient to meet the objectives stated in the “Purpose” section of this report. Areas of concern include: the absence of current policies, procedures, and guidelines for lottery fund administration, and lack of enforcement of trust fund carry-forward reporting requirements.

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.

GENERAL ENVIRONMENT [6]

Systemwide policies, procedures, and guidance for lottery fund administration and expenditures needed improvement. For example, although the chancellor’s office (CO) provided written guidance for campus lottery fund allocations, the guidelines did not adequately address the appropriate use of lottery funds allocated to CO and campus-based programs for non-instructional administrative, hospitality, and travel expenses. In addition, there was a lack of knowledge on campuses of one or more of the guidance documents and frequent confusion in the interpretation of the guidance. Also, the CO did not enforce systemwide carry-forward policy reporting requirements.
INTRODUCTION

BACKGROUND

The California State Lottery Act (Act) of 1984 directed the lottery administration to provide supplemental funding for the state’s public schools and colleges. The Act states that all lottery funds allocated to public education must be considered supplemental to other funds allotted to public education, and that no educational program shall receive less financial support from the state because it receives lottery proceeds.

Most of the lottery funds allocated to public education are given to K-12 and community college districts. In fiscal year (FY) 2012/13, K-12 education received 81 percent of the lottery fund allocation for public education. Community college districts received 13 percent, and the California State University (CSU) received less than four percent.

The CSU’s allotment, based on units of full-time-equivalent student enrollment, is given directly to the Board of Trustees (BOT). Since the passage of the Act in 1984, the CSU has received nearly $1 billion in lottery funds. The annual amount has generally increased each year, and the CSU allocation for FY 2012/13 was $43.9 million. Some of the funds are retained by the chancellor’s office (CO) for use in systemwide programs, but the majority are distributed to the individual campuses for use in enhancing instruction. More than $30 million was allocated to campuses in FY 2012/13.

The Act has been codified in Government Code §8880. In addition to outlining terms for the administration of lottery games, the legislation addresses the Act’s intent to ensure that lottery funds are considered supplemental to state education funding. It also mandates that lottery funds be managed separately from state appropriations and deposited in and expended from the California State Lottery Education Fund. Further, it emphasizes the intent that lottery fund allocations to educational institutions are to be used exclusively for the education of students and specifically prohibits the use of the funds for the acquisition of real property, construction of facilities, financing of research, or any other non-instructional purpose.

The CO Budget Office provides the following written guidance for campus lottery fund allocations:

- **Lottery Budgeting and Allocation Process** outlines the principles of the Act, including the provisions stating that the funds are supplemental to state appropriations and are intended to be used for instructional purposes. It also provides guidelines for both appropriate and prohibited expenditures; states that lottery funds are to be administered separately from state-appropriated funds; and outlines campus and systemwide reporting requirements for the annual report to the BOT, governor and Legislature. Sections discuss in detail the proper use of lottery funds in campus-based programs and in systemwide programs administered by the CO.

- **General Guidelines for Expenditures**, dated September 3, 2008, provides more detailed guidelines regarding appropriate lottery fund expenditures, including specific discussion about the use of lottery funds for faculty compensation. The guidelines prohibit using lottery funds to pay faculty for classroom instruction, to fund faculty overloads, or to increase the compensation rate for any staff, but do allow lottery funds to be used for faculty development, in certain circumstances.
• **Carry-Forward Fund Policy**, dated August 28, 2007, states, in part, that lottery fund allocations should be spent in the year they are allotted, and that excess funds may be subject to de-allocation by the CO. It further states that campuses may carry forward no more than 80 percent of the fiscal year allocation, and that campuses with carry-forward balances will be required to provide to the CO, as part of the financial reporting package, an annual supplemental report addressing the balance.

• **Process for Reporting Expenditure Plan for Amounts that Exceed Carry-Forward Policy**, dated April 21, 2008, provides campuses with more specific instructions on the treatment and reporting of lottery fund carry-forward balances.

The CSU also has policies for the fiscal management of funding sources, including lottery funds. Executive Order (EO) 1000, *Delegation of Fiscal Authority and Responsibility*, dated July 1, 2007, provides the authority and responsibility for effective oversight of all state funds held by the campuses and all funds held in a fiduciary capacity. Lottery funds are one of the many funding sources for CSU campuses and are, as such, subject to the budget and accounting requirements as outlined in the EO.
PURPOSE

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to lottery funds and to determine the adequacy of controls that 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 the lottery fund program is well-defined and includes clear lines of organizational authority and responsibility and documented delegations of authority.
- Policies and procedures related to lottery funds are current, comprehensive, and effectively distributed.
- The campus is providing accurate and timely lottery fund expenditure information to the CO for annual BOT and state reporting.
- The allocation process for lottery funds is well-documented and includes appropriate review and approval.
- The campus is appropriately budgeting and accounting for lottery fund allocations.
- The campus is properly administering and maintaining appropriate reserves of lottery fund allocations.
- The campus is complying with programmatic restrictions for funds received for specific CO lottery fund programs.
- Lottery funds expended in campus-based programs are in compliance with state and CSU requirements and restrictions.
SCOPE AND METHODOLOGY

The proposed scope of the audit as presented in Audit Agenda Item 4 of the January 28 and 29, 2014, meeting of the Committee on Audit stated that Lottery Funds includes activities for the budgeting, receipt, accounting, and expenditures of lottery fund proceeds allocated to the campuses. Proposed audit scope could include, but was not limited to, review of campus lottery fund allocation and expenditure policies and procedures to ensure compliance with CSU and state requirements; review of internal campus processes for monitoring, reviewing, and approving campus discretionary allocations to specific programs; and examination of specific programs receiving lottery funding to confirm the expenditures are in conformance with state and CSU restrictions.

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 fiscal, operational, and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with federal and state regulations and guidance, 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, 2011, through June 13, 2014.

We focused primarily on the internal administrative, compliance, and operational controls over Lottery Funds activities. Specifically, we reviewed and tested:

- Administration of lottery fund allocations, including defined responsibilities and current policies and procedures.
- Processes to identify appropriate programs or areas for receipt of campus lottery fund allocations.
- Budgeting and accounting processes.
- Administration and reporting of carry-forward balances.
- Use of lottery fund allocations for administrative expenses.
- Expenditures from lottery fund allocations.

During the course of the audit, we visited the Office of the Chancellor (CO) and five campuses: Bakersfield, East Bay, Fresno, Humboldt, and Sonoma. We interviewed CO and campus personnel and audited procedures in effect at the time of the audit.
GENERAL ENVIRONMENT

POLICIES AND PROCEDURES

Systemwide policies, procedures, and guidance for lottery fund administration needed improvement.

We found that although the chancellor’s office (CO) provided written guidance for campus lottery fund allocations, the guidelines did not adequately address the appropriate use of lottery funds allocated to CO and campus-based programs for non-instructional administrative, hospitality, and travel expenses. In discussions with campuses, we visited during our audits and while testing of lottery-fund expenditures, we noted a lack of knowledge of one or more of the guidance documents and frequent confusion in the interpretation of the guidance. We also found that the following guidance needed to be updated or clarified:

- The *Lottery Budgeting and Allocation Process* required updating, and the campus annual reporting process requirements needed a revision.
- The *Campus-Based Programs* guideline included a program that was no longer considered appropriate for lottery funding in its list of common and acceptable use of the funds.
- The *General Guidelines for Expenditures*, dated September 3, 2008, required more clarity in defining acceptable and prohibited expenditure categories for certain instructional categories.
- The *Carry Forward Fund Policy*, dated August 28, 2007, referenced an outdated requirement for campuses to provide annual reports to the CO.

Government Codes §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. Further, administrative controls are the methods through which reasonable assurance can be given that measures adopted by state agency heads to safeguard assets and promote operational efficiency are being followed.

Government Code §8880.4 (b) states that funds allocated for the benefit of public education are in addition to other funds appropriated or required for educational purposes and that no program shall have the amount appropriated to support that program reduced as a result of funds. Section 8880.5 (m) states that all funds allocated from the California State Lottery Education Fund shall be used exclusively for the education of students, and no funds shall be spent for acquisition of real property, construction of facilities, financing of research, or any other non-instructional purpose.

The acting deputy assistant vice chancellor for budget indicated that the policies and guidelines had not been updated or clarified due to time constraints and conflicting priorities, but that his team had recently convened a group to review and revise the existing guidelines, and there were plans to update CSU’s budgetary/legal-basis accounting manual with the new policies.
Outdated or incomplete policies, procedures, or guidance relating to lottery funds increase the risk of non-compliance with California State University (CSU) and governmental regulations and inappropriate use of the funds.

**Recommendation 1**

We recommend that the CO:

a. Update or clarify guidance documents regarding campus lottery fund allocations.

b. Develop and communicate guidance for the acceptable use of lottery funds for non-instructional administrative, hospitality, and travel expenses.

**Management Response**

We concur. The CO will review and revise guidance documents regarding campus lottery fund allocations and will develop and communicate guidance for the acceptable use of lottery funds for non-instructional administrative, hospitality, and travel expenses.

This recommendation will be completed by May 2015.

**CARRY-FORWARD POLICY**

The CO did not enforce systemwide carry-forward policy reporting requirements.

We found that campuses were not required to submit expenditure plans for excess lottery fund reserves in fiscal years (FY) 2010/11 and 2011/12. Further, we found that the CO had not completed its review and approval of campus FY 2012/13 expenditure plans.

The CSU Budget Office *Carry-Forward Fund Policy*, dated August 28, 2007, states that campuses are expected to spend all lottery funds during the fiscal year in which they are allocated. It further states that if a campus does carry forward lottery funds from one fiscal year to the next, the carry-forward amount is limited to no more than 80 percent of that fiscal year’s allocation. It further states that campuses are required to generate a supplemental report each year that contains the estimates of the beginning-year balances, operating revenues, and year-end balances for all trust funds, and that funds in excess of the limitations are subject to de-allocation by the CO.

*CSU Final Implementation Topic: Process for Reporting Expenditure Plan for Amounts that Exceed Carry-Forward Policy*, dated April 21, 2008, states that campuses are required to submit a request to retain the prior years’ balance and current year’s carry-forward lottery fund balances above the 80 percent limit to the CO for approval of the executive vice chancellor (EVC), business and finance, and an annual expenditure plan for the excess lottery funds.

The acting deputy assistant vice chancellor for budget stated that the system decided in FY 2010/11 to suspend policy requirements for campuses to report on and provide expenditure plans for carry-forward amounts due to the fiscal crisis at the CSU as a whole. He further stated that although the
requirement was reinstated for FY 2012/13, management turnover and resource constraints contributed to a decision to delay EVC approval of expenditure plans and to combine the FY 2013/14 reports with the FY 2012/13 reports for EVC review and approval.

Suspension of carry-forward oversight policies increases the risk that funds in excess of prescribed limitations will not be expended in accordance with applicable restrictions.

**Recommendation 2**

We recommend that the CO:

a. Require the campuses to submit expenditure plans for excess lottery fund reserves.

b. Complete the review and approval of campus FY 2012/13 expenditure plans.

**Management Response**

We concur. The CO will enforce lottery reserve fund policies and will complete the review and approval of campus FY 2012/13 expenditure plans.

This recommendation will be completed by May 2015.
## APPENDIX A:
### PERSONNEL CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
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<tbody>
<tr>
<td><strong>Office of the Chancellor</strong></td>
<td></td>
</tr>
<tr>
<td>Steve Relyea</td>
<td>Executive Vice Chancellor and Chief Financial Officer</td>
</tr>
<tr>
<td>Judy Botelho</td>
<td>Director, Center for Community Engagement</td>
</tr>
<tr>
<td>Kelly Cox</td>
<td>Associate Director of Accounting</td>
</tr>
<tr>
<td>Ted Dang</td>
<td>Budget Administrator, Chancellor’s Office (CO) Budget</td>
</tr>
<tr>
<td>Laurie Faure</td>
<td>Chancellor’s Doctoral Incentive Program Analyst</td>
</tr>
<tr>
<td>Eric Forbes</td>
<td>Assistant Vice Chancellor, Student Academic Support</td>
</tr>
<tr>
<td>Jean Gill</td>
<td>Assistant Controller, Financial Services</td>
</tr>
<tr>
<td>Gerald Hanley</td>
<td>Assistant Vice Chancellor, Academic Technology Services</td>
</tr>
<tr>
<td>Maridith Janssen</td>
<td>Director, Pre-Doctoral Program</td>
</tr>
<tr>
<td>Dean Kulju</td>
<td>Director, Financial Aid and Scholarship Programs</td>
</tr>
<tr>
<td>Thoa Le</td>
<td>CO Budget Director</td>
</tr>
<tr>
<td>Christine Mallon</td>
<td>Assistant Vice Chancellor, Academic Programs and Faculty Development</td>
</tr>
<tr>
<td>Margaret Merryfield</td>
<td>Senior Director, Academic Human Resources</td>
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<tr>
<td>Rachel Nardo</td>
<td>Director, Summer Arts Program</td>
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<tr>
<td>Bradley Olin</td>
<td>Budget Analyst</td>
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<tr>
<td>Kara Perkins</td>
<td>Associate Director, Initiatives and Resource Management</td>
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<tr>
<td>Michael Redmond</td>
<td>Acting Assistant Vice Chancellor, Headquarters Budget, Security and Strategic Initiatives</td>
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<td>Rodney Rideau</td>
<td>Acting Deputy Assistant Vice Chancellor for Budget</td>
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<td>Ryan Storm</td>
<td>Interim Assistant Vice Chancellor for Budget</td>
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<tr>
<td>Leo Van Cleve</td>
<td>State University Dean, International Programs and Summer Arts Programs</td>
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<tr>
<td><strong>California State University, Bakersfield</strong></td>
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<tr>
<td>Horace Mitchell</td>
<td>President</td>
</tr>
<tr>
<td>Soraya Coley</td>
<td>Provost and Vice President, Academic Affairs (At time of review)</td>
</tr>
<tr>
<td>Jackie Collins</td>
<td>Budget Coordinator, Academic Affairs</td>
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<tr>
<td>Lizeth Gamez</td>
<td>Accounting Supervisor</td>
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<tr>
<td>Kamel Haddad</td>
<td>Associate Dean, Natural Sciences, Mathematics, and Engineering</td>
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<td>Eva Hebebrand</td>
<td>Manager, Student Financial Services</td>
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<td>Carl Kemnitz</td>
<td>Associate Vice President, Academic Programs</td>
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<tr>
<td>Wanda Lacava</td>
<td>Budget and Special Projects Coordinator, Enrollment Management</td>
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<tr>
<td>Tanae McCall</td>
<td>Scholarship Coordinator, Financial Aid</td>
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<td>Andrea Medina</td>
<td>Program Director, Math and Science Teacher Initiative</td>
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<td>Michelle Mills</td>
<td>Director, University Budget</td>
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<td>Jacqueline Mimms</td>
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<td>Michael Neal</td>
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<td>Ron Radney</td>
<td>Director, Financial Aid</td>
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<td>Rhonda Rutledge</td>
<td>Administrative Analyst, Academic Programs</td>
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<td>Isabel Sumaya</td>
<td>Director, First-Year Experience Center</td>
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<td>Douglas Wade</td>
<td>Assistant Vice President, Fiscal Services</td>
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<tr>
<td>Karla Young</td>
<td>Outreach Counselor, Outreach Services</td>
</tr>
</tbody>
</table>
APPENDIX A: PERSONNEL CONTACTED

California State University, East Bay
Leroy M. Morishita  President
Matthew Evans    Administrative Analyst, College of Education and Allied Studies
Maggie Graney    Director, Compliance and Internal Control
Jonathan Hale    Buyer II, Purchasing
Darrell Haydon   Associate Vice President, Financial Services
Rhonda Johnson   Executive Director, Financial Aid
Lillian Joseph    Administrative Analyst, Academic Programs and Graduate Studies
Audrey Katzman   Director, Academic Affairs Budget and Communications
Lana Lewis       Manager, Accounts Payable
Carolyn Nelson   Dean, College of Education and Allied Studies
Susan Opp        Associate Vice President, Academic Programs and Graduate Studies
Anita Patino     Associate Director, Financial Aid
Sherry Pickering Director, Fiscal Services
Susan Rath       Library Services Specialist IV, Library
Adora Romanque   Administrative Analyst, College of Letters, Arts, and Social Sciences
Kathleen Rontrree Dean, College of Letters, Arts, and Social Sciences
Brad Wells       Vice President, Administration and Finance/Chief Financial Officer
John Wenzler     Dean of Libraries
Donna Wiley      Senior Director, Academic Programs and Graduate Studies

California State University, Fresno
Joseph I. Castro  President
Rita Bocchinfuso-Cohen Director, Career Services
Carol Fry Bohlin  Director, Mathematics and Science Teacher Initiative (MSTI)
Robert Boyd      Associate Vice President, Facilities Management
Lilia De La Cerda Director, Louise Stokes Alliance for Minority Participation
Anthony Forestiere University Controller
Glenda Harada    Director, Library – Administrative Offices
Vikki Hensel     Event Coordinator, University Outreach Services
Lora Kutka       Associate Controller
Linda Landucci   Administrative Analyst, Academic Programs and Resources
May Lee          Administrative Assistant and Career Counselor, MSTI
Arleen Leischner Budget Manager, Kremen School of Education and Human Development
Pamela Lewis     Manager, Budget and Resource Planning
Clinton Moffitt  Associate Vice President, Financial Services
Rachel Lee Nardo Director, California State University (CSU) Summer Arts, Chancellor’s Office (CO)
Louise Neal      Coordinator, Pre-Doctoral Program
Dennis Nef      Associate Vice President, Academic Programs and Resources and Dean, Undergraduate Studies
Bernard Ogden    Director, Financial Aid
Frances Pena-Olgin Director, University Outreach Services
Kara Perkins     Associate Director, Initiatives and Resource Management, CO
Kimberley Robles-Smith Librarian, Library – Collection Management
Laura Schultz    Business Manager, CSU Summer Arts, CO
Joanne Sharp     Assistant Director, CSU Summer Arts, CO
APPENDIX A: PERSONNEL CONTACTED

California State University, Fresno (cont.)
Cynthia Teniente-Matson  Vice President, Administration and Chief Financial Officer
(At time of review)
Christine Thibodeaux  Administrative Analyst, College of Science and Mathematics
Leo Van Cleve  State University Dean, International Programs and Summer Arts, CO
Sandra Witte  Interim Dean, Graduate Studies and Associate Dean, Jordan College of Agricultural Sciences and Technology
Aleta Wolfe  Career Counselor, Career Services

Humboldt State University
Lisa A. Rossbacher  President (Currently)
Rollin C. Richmond  President (At time of review)
Patricia Ambrosini  Payroll Officer
Sandra Berry  Administrative Support Assistant, College of Professional Studies
Amber Blakeslee  Budget Analyst, University Budget Office
Jena’ Burges  Vice Provost and Dean of Undergraduate and Graduate Studies, Academic Programs
Terri Fisher  Graduate Coordinator, Academic Programs
Denise Gentry  Administrative Support Assistant, Contracts and Procurement
Denice Helwig  Chief of Staff, President’s Office
Chris Hopper  Department Chair, Kinesiology and Recreation Administration
Cindy Hori  Accounting Supervisor, General Accounting
Su Karl  Director, Learning Center
Volga Koval  Director of Academic Resources, Academic Affairs
John Lee  Dean, College of Professional Studies
Joyce Lopes  Vice President, Administrative Affairs
Carol Lorentzen  Associate Vice President, Business Services
Lupe Lovio  Administrative Support, Early Opportunity Program
Peggy Metzger  Director, Financial Aid
Kevin O’Brien  Director, Student Disability Resource Center
Dan Saveliff  Director, Early Opportunity Program

Sonoma State University
Ruben Armiñana  President
David Crozier  Deputy Controller
Christopher Dinno  Associate Vice President, Facilities Administration
Veronica Duarte  Teacher Diversity Project Coordinator
Laurence Furukawa-Schlereth  Vice President, Administration and Finance
Gayle Graff  Administrative Manager, Office of the Dean of Education
Nate Johnson  Police Chief and Executive Director for Risk Management, Internal Control and Information Security
Shawn Kilat  Director of Budget, Academic and Student Affairs
Mike Kiraly  Director of Operations, University Library
Kurt Koehle  Director, Internal Operations
John Kornfeld  Associate Vice President for Undergraduate Studies
Laura Lupei  Senior Director of University Budget
Scott Miller  Director, Writing Center
Loriann Negri  Coordinator, Writing Center
APPENDIX A: PERSONNEL CONTACTED

Sonoma State University (cont.)
Tai Russotti Administrative Manager, Office of the Dean - Arts and Humanities
Elaine Sundberg Associate Vice President for Academic Programs
DATE: January 13, 2014

TO: Larry Mandel
Vice Chancellor and Chief Audit Officer

FROM: Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

SUBJECT: Lottery Funds, Systemwide Audit Report #14-21

In response to the “Incomplete Draft” report dated November 21, 2014, we are providing the enclosed management response.

Should you have any questions, please contact us.

SR: mpr

Attachment

c: Elvyra San Juan, Assistant Vice Chancellor, Capital Planning, Design, and Construction
Eric Forbes, Assistant Vice Chancellor, Student Academic Support
Gerald Hanley, Assistant Vice Chancellor, Academic Technology Services
Christine Mallon, Assistant Vice Chancellor, Academic Programs and Faculty Development
Ryan Storm, Assistant Vice Chancellor for Budget
Leo Van Cleve, State University Dean, International Programs and Summer Arts Programs
Mike Redmond, Assistant Vice Chancellor, Strategic Initiatives and Support Services
LOTTERY FUNDS
SYSTEMWIDE
Audit Report 14-21

GENERAL ENVIRONMENT

POLICIES AND PROCEDURES

Recommendation 1

We recommend that the CO:

a. Update or clarify guidance documents regarding campus lottery fund allocations.

b. Develop and communicate guidance for the acceptable use of lottery funds for non-instructional administrative, hospitality, and travel expenses.

Management Response

We concur. The CO will review and revise guidance documents regarding campus lottery fund allocations, and develop and communicate guidance for the acceptable use of lottery funds for non-instructional administrative, hospitality, and travel expenses.

This recommendation will be completed by May 2015.

CARRY-FORWARD POLICY

Recommendation 2

We recommend that the CO:

a. Require the campuses to submit expenditure plans for excess lottery fund reserves.

b. Complete the review and approval of campus FY 2012/13 expenditure plans.

Management Response

We concur. The CO will enforce lottery reserve fund policies and will complete the review and approval of campus FY 2012/13 expenditure plans.

This recommendation will be completed by May 2015.
February 3, 2015

MEMORANDUM

TO: Mr. Larry Mandel
    Vice Chancellor and Chief Audit Officer

FROM: Timothy P. White
      Chancellor

SUBJECT: Draft Final Report 14-21 on Lottery Funds, Systemwide

In response to your memorandum of February 3, 2015, I accept the response as submitted with the draft final report on Lottery Funds, Systemwide.

TPW/amd