

AUXILIARY ORGANIZATIONS
CALIFORNIA STATE UNIVERSITY,
STANISLAUS

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BOARD OF TRUSTEES
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ABBREVIATIONS

ABS	California State University, Stanislaus Auxiliary and Business Services
ASI	Associated Students Incorporated of California State University, Stanislaus
CFO	Chief Financial Officer
CSU	California State University
CSUS	California State University, Stanislaus
EO	Executive Order
Foundation	California State University, Stanislaus Foundation
IRC	Internal Revenue Code
IRS	Internal Revenue Service
IT	Information Technology
OMB	Office of Management and Budget
RFIN	Resolution of the Committee on Finance
UBI	Unrelated Business Income
Union	University Union of California State University, Stanislaus

EXECUTIVE SUMMARY

In July 1981, the Board of Trustee policy concerning auxiliary organizations was adopted in the Resolution of the Committee on Finance (RFIN) 7-81-4. Executive Order 698, *Board of Trustees Policy for the California State University Auxiliary Organizations*, dated March 3, 1999, required that the Office of the University Auditor conduct internal compliance/internal control reviews of auxiliary organizations, and the Board of Trustees instructed that such reviews be conducted on a triennial basis pursuant to procedures established by the chancellor.

California State University, Stanislaus (CSUS) management is responsible for establishing and maintaining an adequate system of internal compliance/internal control and assuring that each of its auxiliary organizations similarly establishes such a system. This responsibility, in accordance with California Code of Regulations, Title 5, Section 42402 et seq. and Executive Order 698, *Board of Trustees Policy for the California State University Auxiliary Organizations et seq.*, includes requiring the documentation of internal control, communicating requirements to employees, and assuring that its system of internal compliance/internal control is functioning as prescribed. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures.

The objectives of a system of internal compliance/internal control are to provide management with reasonable, but not absolute, assurance that:

- ▶ Auxiliary operations are conducted in accordance with policies and procedures established in the State Administrative Manual, Education Code, Title 5, and Trustee policy.
- ▶ Assets are adequately safeguarded against loss from unauthorized use or disposition.
- ▶ Transactions are executed in accordance with management's authorization and recorded properly to permit the timely preparation of reliable financial statements.

We visited the CSUS campus and its auxiliary organizations from October 4, 2004, through November 5, 2004, and made a study and evaluation of the system of internal compliance/internal control in effect for the period July 2001 to November 2004. This report represents our triennial review.

Our study and evaluation at *California State University, Stanislaus Foundation* did not reveal any significant internal control problems or weaknesses that would be considered pervasive in their effects on the accounting and administrative controls. However, we did identify other reportable weaknesses that are described in the executive summary and in the body of the report. In our opinion, the accounting and administrative control in effect as of November 2004, taken as a whole, was sufficient to meet the objectives stated above.

Our study and evaluation at *California State University, Stanislaus Auxiliary and Business Services* did not reveal any significant internal control problems or weaknesses that would be considered pervasive in their effects on the accounting and administrative controls. However, we did identify other reportable weaknesses that are described in the executive summary and in the body of the report. In our opinion, the accounting and administrative control in effect as of November 2004, taken as a whole, was sufficient to meet the objectives stated above.

Our study and evaluation at the *Associated Students Incorporated of California State University, Stanislaus* did not reveal any significant internal control problems or weaknesses that would be considered pervasive in their effects on the accounting and administrative controls. However, we did identify other reportable weaknesses that are described in the executive summary and in the body of the report. In our opinion, the accounting and administrative control in effect as of November 2004, taken as a whole, was sufficient to meet the objectives stated above.

Our study and evaluation at the *University Union of California State University, Stanislaus* did not reveal any significant internal control problems or weaknesses that would be considered pervasive in their effects on the accounting and administrative controls. However, we did identify other reportable weaknesses that are described in the executive summary and in the body of the report. In our opinion, the accounting and administrative control in effect as of November 2004, taken as a whole, was sufficient to meet the objectives stated above.

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 their attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [] refer to page numbers in the report.

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

OPERATING AND ADMINISTRATIVE AGREEMENTS [10]

The California State University, Stanislaus Foundation (Foundation) operating agreement with the campus was not signed and submitted for chancellor's office approval in a timely manner.

CORPORATE GOVERNANCE [10]

Foundation board minutes were not maintained for the third-quarter meetings of fiscal years ended June 30, 2002, 2003, and 2004. Also, board minutes were not signed and approved by an appropriate official.

OPERATIONAL COMPLIANCE [12]

Administration of Foundation reserves required improvement. A review disclosed that an operating reserve was not established, the grant and contract disallowance reserve did not reflect the Foundation's current reserve policy, and funds from the grant and contract disallowance reserve were used contrary to the stated purpose. In addition, the Foundation failed to obtain conflict-of-interest statements from certain board members.

CASH RECEIPTS AND HANDLING [14]

Administration of Foundation cash receipts was deficient. Specifically, independent reconciliations were not performed for daily cash receipts and credit card transactions.

FEES, REVENUES, AND RECEIVABLES [14]

Revenues received from an annual Foundation fund-raising event were not reconciled to actual tickets sold.

PURCHASING AND ACCOUNTS PAYABLE [15]

Certain Foundation cash disbursements were not supported by sufficient and appropriate documentation and/or appropriate authorization.

AUXILIARY PROGRAMS [16]

Maintenance of Foundation contracts and grants project files and management oversight of post-award activities of sponsored programs required improvement. A review disclosed that the sponsored program administration policy did not clearly articulate the types of documents that should be maintained, and the project proposal endorsement forms were not consistently maintained in the project files.

CALIFORNIA STATE UNIVERSITY, STANISLAUS AUXILIARY AND BUSINESS SERVICES

OPERATING AND ADMINISTRATIVE AGREEMENTS [20]

Certain agreements among the California State University, Stanislaus Auxiliary and Business Services (ABS), the campus, auxiliary organizations, and third parties were incomplete, expired, or not executed in a timely manner.

FACILITIES AGREEMENTS [21]

The facilities lease agreement between the ABS and the campus for the Stockton Bookstore had not been established, and the agreement for the Mary Stuart Rogers Building was not executed in a timely manner.

SEGREGATION OF DUTIES [22]

ABS did not appropriately segregate certain accounting functions. For example, the ABS accounting and finance manager, who is the sole signor of any check under \$15,000, also had the ability to edit, add, or delete any transaction from the accounting system due to a relationship with the accounting software consultant who provides technical and update support for ABS.

PURCHASING AND ACCOUNTS PAYABLE [23]

Certain ABS cash disbursements were not supported by sufficient and appropriate documentation and/or appropriate authorization. Instances were noted where purchase orders were created subsequent to the receipt of vendor invoices.

PERSONNEL AND PAYROLL [24]

Payroll processing duties at ABS were not properly segregated, as one employee was responsible for inputting and reconciling payroll data. In addition, performance evaluations were not conducted timely.

PROPERTY AND EQUIPMENT [25]

Certain ABS furniture items recorded as fixed assets were not properly tagged.

INFORMATION TECHNOLOGY [26]

ABS had not installed smoke detection or fire extinguishing equipment in the computer room housing the financial computer system. Further, ABS had not developed business continuation procedures for inclusion in its information technology disaster recovery plan.

ASSOCIATED STUDENTS INCORPORATED OF CALIFORNIA STATE UNIVERSITY, STANISLAUS

FISCAL COMPLIANCE [28]

The Associated Students Incorporated of California State University, Stanislaus (ASI) reserve policy did not specify minimum reserve levels for fund categories.

SEGREGATION OF DUTIES [28]

Duties and responsibilities related to the ASI recreation and wellness coordinator were not appropriately segregated. Specifically, the coordinator could order supplies, prepare purchase orders, and verify receipt.

CASH RECEIPTS AND HANDLING [29]

Administration of ASI cash receipts and handling was inadequate. For example, a policy for the collection of cash from recreation and wellness activities did not exist, daily cash receipts were not properly secured, and the combination to the safe located at the ASI student offices was not periodically changed.

FEES, REVENUES, AND RECEIVABLES [30]

The ASI had not tracked or accounted for unrelated business income for its summer kid's camp, nor did the ASI file an Internal Revenue Service Form 990T.

PURCHASING AND ACCOUNTS PAYABLE [31]

Certain ASI cash disbursements were not supported by sufficient and appropriate documentation and/or authorization.

UNIVERSITY UNION OF CALIFORNIA STATE UNIVERSITY, STANISLAUS

OPERATING AND ADMINISTRATIVE AGREEMENTS [33]

The University Union of California State University, Stanislaus (Union) operating agreement dated July 1, 2003, was not signed by the campus and the Foundation until June 2004. Further, the business service agreement between the Union and the ABS did not include a right-to-audit clause. Lastly, the indemnification provision in agreements with the ASI and Union's program board was inadequate.

FEES, REVENUES, AND RECEIVABLES [34]

Administration of Union revenue received from arcade machines required improvement. For example, the Union did not verify the accuracy of the game counters and independent reconciliations of monies received were not performed.

PURCHASING AND ACCOUNTS PAYABLE [35]

Certain Union cash disbursements were not supported by sufficient and appropriate documentation.

INVENTORIES [36]

The Union had not performed a reconciliation of consignment tickets on hand to the ticket summary received by the vendor. A review noted that two misplaced tickets were not identified during the normal course of business.

INTRODUCTION

BACKGROUND

Education Code §89900 states, in part, that the operation of auxiliary organizations shall be conducted in conformity with regulations established by the Trustees.

Education Code §89904 states, in part, that the Trustees of the California State University (CSU) and the governing boards of the various auxiliary organizations shall:

- ▶ Institute a standard systemwide accounting and reporting system for businesslike management of the operation of such auxiliary organizations.
- ▶ Implement financial standards that will assure the fiscal viability of such various auxiliary organizations. Such standards shall include proper provision for professional management, adequate working capital, adequate reserve funds for current operations and capital replacements, and adequate provisions for new business requirements.
- ▶ Institute procedures to assure that transactions of the auxiliary organizations are within the educational mission of the state colleges.
- ▶ Develop policies for the appropriation of funds derived from indirect cost payments.

The Board of Trustee policy concerning auxiliary organizations was originally adopted in July 1981 in the Resolution of the Committee on Finance (RFIN) 7-81-4. Executive Order 698, *Board of Trustees Policy for the California State University Auxiliary Organizations*, dated March 3, 1999, represents policy of the Trustees addressing CSU auxiliary organization activity and governing the internal management of the system. CSU auxiliary organizations are required to comply with Board of Trustee policy (California Code of Regulations, Title 5, Section 42402 and Education Code, Section 89900).

This executive order requires that the Office of the University Auditor will perform an internal compliance/internal control review of auxiliary organizations. The review will be used to determine compliance with law, including statutes in the Education Code and rules and regulations of Title 5, and compliance with policy of the Board of Trustees and of the campus, including appropriate separation of duties, safeguarding of assets, and reliability and integrity of information. According to Board of Trustee instruction, each auxiliary organization shall be examined on a triennial basis pursuant to procedures established by the chancellor.

PURPOSE

The principal audit objectives were to determine compliance with the Education Code, Title 5, and directives of the Board of Trustees and the Office of the Chancellor and to assess the adequacy of controls and systems. Specifically, we sought assurances that:

- ▶ Legal and regulatory requirements are complied with.
- ▶ Accounting data is provided in an accurate, timely, complete, or otherwise reliable manner.
- ▶ Assets are adequately safeguarded from loss, damage, or misappropriation.
- ▶ Duties are appropriately segregated consistent with appropriate control objectives.
- ▶ Transactions, accounting entries, or systems output is reviewed and approved.
- ▶ Management does not intentionally override internal controls to the detriment of control objectives.
- ▶ Accounting and fiscal tasks, such as reconciliations, are prepared properly and completed timely.
- ▶ Deficiencies in internal controls previously identified were corrected satisfactorily and timely.
- ▶ Management seeks to prevent or detect erroneous recordkeeping, inappropriate accounting, fraudulent financial reporting, financial loss, and exposure.

SCOPE AND METHODOLOGY

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 that accounting and administrative controls are in place and operative. The management review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor policies, letters, and directives. For those audit tests that required annualized data, fiscal years 2001/02, 2002/03, and 2003/04 were the primary periods reviewed. In certain instances, we were concerned with representations of the most current data; in such cases, the test period was July 2003 to June 2004. Our primary focus was on internal compliance/internal control.

Specifically, we reviewed and tested:

- ▶ Formation of the auxiliary.
- ▶ Functions the auxiliary performs on the campus.
- ▶ Creation and operation of the auxiliary's board.
- ▶ Establishment of policies and procedures based upon sound business practices.
- ▶ Maintenance of "arms-length" in business transactions between the auxiliary and the campus.
- ▶ Campus oversight of auxiliary operations.

Additionally, for the period reviewed, we examined other aspects of compliance of the campus and each auxiliary with the Education Code and Title 5 as they relate to the operation of CSU auxiliary organizations. Individual codes and regulations added to the scope of our review were identified through an assessment of risk. Similarly, internal controls were included within our scope based upon risk. Therefore, the scope of our review varied from auxiliary to auxiliary.

A preliminary survey of CSU auxiliaries at each campus was used to identify risks. Risk was defined as the probability that an event or action would adversely affect the auxiliary and/or the campus. Our assessment of risk was based upon a systematic process, using professional judgments on probable adverse conditions and/or events that became the basis for development of our final scope. We sought to assign higher review priorities to activities with higher risks. As a result, not all risks identified were included within the scope of our review.

Based upon this assessment of risks, we specifically included within the scope of our review the following:

California State University, Stanislaus Foundation

- ▶ Operating and Administrative Agreements
- ▶ Facilities Agreements
- ▶ Corporate Governance
- ▶ Fiscal Compliance
- ▶ Operational Compliance
- ▶ Program Compliance
- ▶ Campus Oversight and Control
- ▶ Cash Receipts and Handling
- ▶ Investments
- ▶ Fees, Revenues, and Receivables
- ▶ Purchasing and Accounts Payable
- ▶ Trusts and Other Liabilities
- ▶ Research Administration
- ▶ Campus Programs
- ▶ Auxiliary Programs – Contracts and Grants

California State University, Stanislaus Auxiliary and Business Services

- ▶ Operating and Administrative Agreements
- ▶ Facilities Agreements
- ▶ Corporate Governance
- ▶ Fiscal Compliance
- ▶ Operational Compliance
- ▶ Campus Oversight and Control
- ▶ Segregation of Duties
- ▶ Cash Receipts and Handling
- ▶ Fees, Revenues, and Receivables
- ▶ Purchasing and Accounts Payable
- ▶ Personnel and Payroll
- ▶ Property and Equipment
- ▶ Information Technology

Associated Students Incorporated of California State University, Stanislaus

- ▶ Operating and Administrative Agreements
- ▶ Facilities Agreements
- ▶ Corporate Governance

Associated Students Incorporated of California State University, Stanislaus (cont.)

- ▶ Fiscal Compliance
- ▶ Operational Compliance
- ▶ Campus Oversight and Control
- ▶ Segregation of Duties
- ▶ Cash Receipts and Handling
- ▶ Fees, Revenues, and Receivables
- ▶ Purchasing and Accounts Payable
- ▶ Personnel and Payroll
- ▶ Property and Equipment

University Union of California State University, Stanislaus

- ▶ Operating and Administrative Agreements
- ▶ Facilities Agreements
- ▶ Corporate Governance
- ▶ Fiscal Compliance
- ▶ Operational Compliance
- ▶ Campus Oversight and Control
- ▶ Segregation of Duties
- ▶ Cash Receipts and Handling
- ▶ Fees, Revenues, and Receivables
- ▶ Purchasing and Accounts Payable
- ▶ Personnel and Payroll
- ▶ Property and Equipment
- ▶ Inventories

We have not performed any auditing procedures beyond November 2004. Accordingly, our comments are based on our knowledge as of that date. Since the purpose of our comments is to suggest areas for improvement, comments on favorable matters are not addressed.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

OPERATING AND ADMINISTRATIVE AGREEMENTS

The California State University Stanislaus Foundation (Foundation) operating agreement with the campus was not signed and submitted for chancellor's office approval in a timely manner.

The operating agreement dated July 1, 2003, was not signed by the campus and the Foundation until January 2004.

Title 5 §42501 states that a written agreement on behalf of the State of California by the Chancellor of the California State University (CSU) and the auxiliary organization is required for the performance by such auxiliary organization of any of the functions listed in §42500. Title 5 §42502 states that the operating agreement should specify the function or functions which the organization is to manage, operate, or administer.

The Foundation director of advancement services stated that the operating agreement was not signed in a timely manner due to oversight.

Operating in the absence of a current and approved, written agreement increases the risk of misunderstandings and miscommunication regarding rights and responsibilities.

Recommendation 1

We recommend that the Foundation ensure that its operating agreement with the campus is signed and submitted to the chancellor's office for approval in a timely manner.

Campus Response

We concur. We will take steps to ensure that the operating agreement for the Foundation will be executed in a timely manner.

CORPORATE GOVERNANCE

BOARD MEETINGS

The Foundation had not maintained board minutes as required during the third quarter of fiscal years ended June 30, 2002, 2003, and 2004.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that

allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates complete and accurate documentation of board meetings.

The Foundation director of advancement services stated that the third-quarter board meetings were conducted during the annual Foundation board retreat and, therefore, were not documented.

Failure to maintain board minutes increases the risk of misunderstandings and may increase legal liability.

Recommendation 2

We recommend that the Foundation take appropriate measures to ensure that board minutes are maintained for all meetings.

Campus Response

We concur. Agendas will be prepared and minutes taken for each quarterly meeting of the Foundation board of trustees. They will be published in a timely manner to ensure continuation of sound business practices. The policy and procedures will be reiterated to ensure compliance.

BOARD MINUTES

Foundation board minutes were not signed and approved by an appropriate official.

Corporations Code §5215 states that the original or a copy of the bylaws or of the minutes of any incorporators', members', directors', committee or other meeting or of any resolution adopted by the board or a committee thereof, or members, certified to be a true copy by a person purporting to be the secretary or an assistant secretary of the corporation, is prima facie evidence of the adoption of such bylaws or resolution or of the due holding of such meeting and of the matters stated therein.

The Foundation director of advancement services stated that board minutes were not signed due to oversight.

Failure to maintain signed and approved board minutes increases the risk of misunderstandings and may increase legal liability.

Recommendation 3

We recommend that the Foundation take appropriate measures to ensure that its board minutes are signed and approved by an appropriate official.

Campus Response

We concur. Minutes taken at each quarterly board of trustees meeting will be validated by a board official signature. Policy and procedures will be enhanced and reiterated to ensure compliance.

OPERATIONAL COMPLIANCE

RESERVES

Administration of Foundation reserves required improvement.

We found that:

- ▶ An operating reserve had not been established.
- ▶ The grant and contract disallowance reserve did not reflect the Foundation's current reserve policy. The policy stated that the Foundation would retain two percent of its prior two years' grant activity; however, the reserve was maintained below the stated amount.
- ▶ Funds from the grant and contract disallowance reserve were used contrary to the stated purpose of the reserve. Specifically, the funds were used to provide severance payment for a grant and contract employee.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.9, *Reserves*, states that the auxiliary should implement financial standards that will assure fiscal viability, including proper provision for professional management, adequate working capital, adequate reserve funds for current operations and capital replacements, and adequate provisions for new business requirements. The compilation further states that the auxiliary should adopt written governing board policies that describe appropriate reserve requirements and provide for compliance with donor and other third-party legal obligations.

The Foundation director of advancement services stated that an operating reserve had not been established due to oversight resulting from management turnover. He also stated that the grant and contract disallowance reserve was based on the Foundation finance and investment committee's decision not to fund the reserve account in anticipation that the administration of grants and contracts would be transferred to the state. Additionally, the campus vice president of business and finance stated her belief that the funds from the grant and contract disallowance reserve had been used appropriately in accordance with the committee's decision.

Insufficient administration of reserves increases the risk that an auxiliary will operate in a manner inconsistent with the educational mission of the campus and/or will not be able to fund future needs.

Recommendation 4

We recommend that the Foundation:

- a. Establish an operating reserve.
- b. Ensure that the reserve is maintained in accordance with the reserve policy or revise the reserve policy to reflect current practice.

- c. Ensure that the grant and contract disallowance reserve is only used for its stated purpose.

Campus Response

We concur. The transfer of grants and contracts from the Foundation to state accounting was expected to have been completed during the year. A reserve policy was not enacted in a timely manner under this assumption. While this transition is still expected to occur, we will revise current policy by November 2005 to assure an appropriate reserve is held.

CONFLICT OF INTEREST

The Foundation had not obtained conflict-of-interest statements from certain board members for fiscal years ended June 30, 2003 and 2004.

Education Code §89906 states that no member of the governing board of an auxiliary organization shall be financially interested in any contract or other transaction entered into by the board of which he is a member, and any contract or transaction entered into in violation of this section is void.

Title 5 §42401, §42402, §42500 and Education Code §89900 establish a responsibility to operate in accordance with sound business practices in the interest of the campus. Sound business practice mandates establishing conflict-of-interest policies and procedures.

The Foundation director of advancement services stated that signed conflict-of-interest statements were not obtained from all board members due to oversight.

Failure to obtain conflict-of-interest statements from all auxiliary board members increases liability for acts contrary to the code.

Recommendation 5

We recommend that the Foundation ensure that annual conflict-of-interest statements are obtained from all board members.

Campus Response

We concur. Future statements will be obtained by June 15, 2005, in compliance with the Foundation's conflict-of-interest policy.

CASH RECEIPTS AND HANDLING

Administration of Foundation cash receipts was deficient.

We found that:

- ▶ An independent reconciliation between the daily cash receipts log and the daily cash deposits was not performed.
- ▶ An independent reconciliation of daily credit card transactions to the end-of-the-day closing batch total was not performed.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.1, *Cash*, states that the auxiliary should receive cash in a consistent manner utilizing systems that ensure integrity of existing internal controls. Section 8.9.3, *Donations*, states that the auxiliary should establish a written recordkeeping system that enables gifts to be properly received, recorded, and acknowledged in accordance with donor restrictions and other requirements.

The Foundation director of advancement services stated that reconciliations were performed; however, an independent reconciliation was not performed due to staff constraints.

Inadequate administration of cash receipts increases the risk of a loss or misappropriation of funds.

Recommendation 6

We recommend that the Foundation ensure that independent reconciliations are performed for cash receipts.

Campus Response

We concur. The example cited in the finding was due to a significant reduction in staffing. We are in the process of increasing office staff to avoid this occurrence and to maintain compliance with the policy related to this issue.

FEES, REVENUES, AND RECEIVABLES

Revenues received from an annual Foundation fund-raising event were not reconciled to actual tickets sold.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.1, *Cash*, states that the auxiliary should receive cash in a consistent manner utilizing systems that ensure integrity of existing internal controls. Section 8.9.3, *Donations*, states that the

auxiliary should establish a written recordkeeping system that enables gifts to be properly received, recorded, and acknowledged in accordance with donor restrictions and other requirements.

The Foundation director of advancement services stated that revenue reconciliations were not performed due to management and staff turnover.

Failure to reconcile revenues increases the risk that errors or misappropriation of funds will not be detected.

Recommendation 7

We recommend that the Foundation ensure that revenue reconciliations are performed for all fund-raising events.

Campus Response

We concur. Policy dictates that revenue reconciliation be performed for all fund-raising events. Staff will be trained and it shall be reiterated that all tickets, cash, and receivables are to be reconciled in a timely manner.

PURCHASING AND ACCOUNTS PAYABLE

Certain Foundation cash disbursements were not supported by sufficient and appropriate documentation and/or appropriate authorization.

Our review of 60 disbursements disclosed the following:

- ▶ In three instances, expenses were erroneously coded to incorrect accounts.
- ▶ In one instance, a vehicle purchase was not recorded and tagged.
- ▶ In one instance, one-up authorization for the disbursement had not been obtained.
- ▶ In one instance, a written agreement between the Foundation and a third party did not include an indemnification clause.
- ▶ In one instance, a W-9, an independent contractor form, and proof of insurance were not completed in accordance with Foundation policy.
- ▶ In four instances, purchase requisitions and/or purchase orders were not completed.
- ▶ In three instances, check requests were processed for payment without adequate supporting documentation.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates that cash disbursements be fully supported and properly authorized.

The California State University, Stanislaus Auxiliary and Business Services (ABS) business services accounting and finance manager stated that all Foundation disbursements were processed by ABS. She further stated that a lack of adequate supporting documentation and/or authorization was due to oversight.

Insufficient supporting documentation and/or lack of appropriate authorization increase the risk of errors, irregularities, and misappropriation of funds.

Recommendation 8

We recommend that the Foundation and ABS reiterate to staff existing cash disbursement policies and procedures regarding sufficient and appropriate supporting documentation and authorization.

Campus Response

We concur. Foundation, ABS, and state accounting policies dictate that appropriate documentation be obtained prior to the purchase of goods. We will create a checklist and institute practices to ensure that policy is followed by November 2005.

AUXILIARY PROGRAMS

CONTRACTS AND GRANTS – PROJECT FILES

The Foundation had not developed written procedures for the maintenance of contracts and grants project files.

We found that:

- ▶ Sponsored program project proposal endorsement forms were not consistently maintained in the project files. Therefore, we were unable to determine if the forms were completed and approved prior to submission to the sponsoring agencies or organizations.
- ▶ The sponsored program administration policy did not clearly articulate the types of documentation that should be maintained in the project files. Specifically, none of the files reviewed contained documentation of effort certification, including faculty overload payments and effort, cost-sharing obligations and tracking, and proof of progress and final report submittals.

Office of Management and Budget (OMB) Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations Financial Reporting*, §.51(a), states that recipients are responsible for managing and monitoring each project, program, award, function, or activity supported by the award.

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations Financial Reporting*, §.71(a), states that recipients shall submit, within 90 calendar days after the date of completion of the award, all financial, performance, and other reports as required by the terms and conditions of the award.

Executive Order (EO) 890, *Administration of Grants and Contracts in Support of Sponsored Programs*, dated January 7, 2004, in part, states that proposals for sponsored programs shall not be submitted to the sponsor without prior written approval of the president of the university or the president's university designee and of the chief financial officer of the university or the chief financial officer's designee. It further states that each campus establish necessary controls to ensure sound fiscal management of sponsored programs, regardless of whether the university or auxiliary is responsible for sponsored program administration.

The campus director of research and sponsored programs stated that formal procedures to maintain and document project files had not been developed due to staff turnover and resource constraints. However, the campus has developed an extensive Funding Success Handbook, which elaborates for principal investigators the grant application process and their responsibilities in grant administration. She further stated that the campus plans to expand the handbook's post-award administration sections to include the maintenance of contract and grant files.

Failure to properly maintain project files and monitor the submission of project proposal endorsement forms and technical deliverables increases the risk that: (1) the auxiliary will operate in a manner inconsistent with the educational mission of the campus; (2) contracts and grants will be inappropriately managed; and (3) penalties and disallowances for non-compliance with contracts and grants terms will be awarded.

Recommendation 9

We recommend that the Foundation develop written procedures for the maintenance of contracts and grants project files.

Campus Response

We concur. The anticipated transition of contracts and grants to state accounting did not materialize during the audited period. Although this transition is still anticipated, we will establish policies by November 2005, in association with the policies of the office of research and sponsored programs and state accounting.

CONTRACTS AND GRANTS – PROJECT OVERSIGHT

The Foundation had not developed procedures to ensure sufficient oversight of contracts and grants, specifically for post-award activities.

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations Financial Reporting*, §.51(a), states that recipients are responsible for managing and monitoring each project, program, award, function, or activity supported by the award.

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations Financial Reporting*, §.71(a), states that recipients shall submit, within 90 calendar days after the date of completion of the award, all financial, performance, and other reports as required by the terms and conditions of the award.

EO 890, *Administration of Grants and Contracts in Support of Sponsored Programs*, dated January 7, 2004, in part, states that prior to acceptance, the recipient shall designate either the university or auxiliary to administer the contract or grant. It further states that each campus establish necessary controls to ensure sound fiscal management of sponsored programs, regardless of whether the university or auxiliary is responsible for sponsored program administration.

The campus director of research and sponsored programs stated that written procedures to monitor post-award activities had not been developed due to staff turnover and resource constraints. However, the campus has developed an extensive Funding Success Handbook, which elaborates for principal investigators the grant application process and their responsibilities in grant administration. She further stated that the campus plans to expand the handbook's post-award administration sections to include additional detail related to project oversight responsibilities.

The lack of written procedures regarding oversight of sponsored program post-award activities increases the risk of penalties and disallowances for non-compliance with contracts and grants terms.

Recommendation 10

We recommend that the Foundation:

- a. Develop written procedures regarding the oversight of contracts and grants, specifically for post-award activities.
- b. Ensure that sufficient oversight is provided for contracts and grants post-award activities by the auxiliary and/or the campus.

Campus Response

We concur. The anticipated transition of contracts and grants to state accounting did not materialize during the audited period. Although this transition is still anticipated, we will establish policies by

November 2005, in association with the policies currently in place and established by the office of research and sponsored programs and state accounting until the transition is completed.

CALIFORNIA STATE UNIVERSITY, STANISLAUS
AUXILIARY AND BUSINESS SERVICES

OPERATING AND ADMINISTRATIVE AGREEMENTS

Certain agreements among the California State University, Stanislaus Auxiliary and Business Services (ABS), the campus, auxiliary organizations, and third parties were incomplete, expired, or not executed in a timely manner.

We found that:

- ▶ The campus service agreement with ABS was not signed in a timely manner.
- ▶ The business services agreements between ABS and the University Union of California State University, Stanislaus and Associated Students Incorporated of California State University, Stanislaus were not signed in a timely manner. Further, the indemnification provision did not specifically indemnify the CSU Trustees, the campus, and the State of California.
- ▶ The business services agreement between ABS and the Foundation was expired.
- ▶ The commercial service agreements between ABS and two external vendors were not signed in a timely manner.
- ▶ The indemnification provisions in several commercial service agreements between ABS and third parties did not specifically indemnify the CSU Trustees, the campus, and the State of California.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates that business arrangements be supported by complete, written agreements and executed in a timely manner.

EO 849, *California State University Insurance Requirements*, dated February 5, 2003, states that hold harmless provisions should be modeled after agreements available at the CSU contract resource library. The model auxiliary operating agreement states that auxiliary organizations shall agree to indemnify, defend, and save harmless the State of California, the Trustees of the CSU, the campus, and the officers, employees, volunteers, and agents of each of them from any and all loss, damage, or liability that may be suffered or incurred by state, caused by, arising out of, or in any way connected with the operations of the auxiliary.

The ABS commercial operations manager stated that failure to execute agreements in a timely manner and provide for complete indemnification clauses was due to oversight.

The absence of complete, written agreements increases the risk of misunderstandings and miscommunication regarding rights and responsibilities.

Recommendation 11

We recommend that ABS:

- a. Execute written agreements in a timely manner.
- b. Ensure that agreements include appropriate indemnification clauses.

Campus Response

We concur and are in the process of modifying agreements to include appropriate indemnification language. This process will be completed by November 2005.

FACILITIES AGREEMENTS

The facilities lease agreements between ABS and the campus for the Stockton Bookstore and Mary Stuart Rogers Building had not been established and/or executed in a timely manner.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates that facilities lease arrangements be supported by complete, written agreements and executed in a timely manner.

The ABS commercial operations manager stated that failure to establish and/or execute agreements in a timely manner was due to oversight.

The absence of complete, written agreements increases the risk of misunderstandings and miscommunication regarding rights and responsibilities.

Recommendation 12

We recommend that ABS:

- a. Obtain a lease agreement for the Stockton Bookstore.
- b. Execute written agreements in a timely manner.

Campus Response

We concur and are in the process of implementing the recommendation. The Stockton Bookstore has been added to the campus services agreement under Section A, *Commercial Facilities Housed by the University*. We anticipate full implementation by November 2005.

SEGREGATION OF DUTIES

Duties and responsibilities over certain accounting functions were not appropriately segregated at ABS.

Accounts Receivable

We found that one employee:

- ▶ Had full access to the general ledger accounting system.
- ▶ Recorded payments.
- ▶ Prepared deposits.
- ▶ Delivered deposits to the university cashier.

The ABS accounting and finance manager stated that the accounts receivable duties were not appropriately segregated due to oversight.

Accounting System

The ABS accounting and finance manager, who is the sole signor of any check under \$15,000, also had the ability to edit, add, or delete any transaction from the accounting system due to a relationship with the accounting software consultant who provides technical and update support for ABS.

The ABS accounting and finance manager stated that mitigating controls were available to adequately segregate the duties between herself and the consultant, but were not enforced.

EO 698, *Board of Trustees Policy for The California State University Auxiliary Organizations*, dated March 3, 1999, states that the review of auxiliary organizations will be used to determine appropriate separation of duties, safeguarding of assets, and reliability and integrity of information.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.10, *Computer Controls*, states that the auxiliary should implement policies and procedures that will assure secure computer systems operations, including proper transaction authority, transaction edit checks, and verification of accuracy, as well as access levels linked to job responsibilities.

Inadequate segregation of duties increases the risk that errors and irregularities will not be detected in a timely manner.

Recommendation 13

We recommend that ABS:

- a. Segregate certain accounting functions for accounts receivable or institute mitigating procedures approved by the campus chief financial officer (CFO).

- b. Segregate the duties between the accounting software consultant and the ABS accounting and finance manager or institute mitigating procedures approved by the campus CFO.

Campus Response

We concur.

- a. Accounts receivable procedures have been modified. The modifications were approved by the campus CFO.
- b. Any software updates and fixes required will be performed by Bi-Tech SunGard, an outside service provider by November 2005.

PURCHASING AND ACCOUNTS PAYABLE

Certain ABS cash disbursements were not supported by sufficient and appropriate documentation and/or appropriate authorization.

Our review of 100 disbursements disclosed the following:

Process Controls

- ▶ In 26 instances, the purchase requisition/purchase order was created subsequent to the receipt of invoice.

Processing Exceptions

- ▶ In two instances, a purchase requisition or purchase order was not completed.
- ▶ In one instance, copies of receipts were accepted for payment without certification that records were verified to prevent duplicate payment.
- ▶ In two instances, one-up authorization for the purchase order was not obtained.
- ▶ In one instance, one-up authorization for the disbursement was not obtained.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates that cash disbursements be fully supported and properly authorized.

The ABS accounting and finance manager stated that purchase requisitions generated after the fact were due to departmental personnel changes and inadequate training.

Insufficient supporting documentation and/or lack of appropriate authorization increase the risk of errors, irregularities, and misappropriation of funds.

Recommendation 14

We recommend that ABS:

- a. Establish a procedure to ensure that purchase requisitions/purchase orders are created prior to purchase in all instances.
- b. Reiterate to staff existing cash disbursement policies and procedures regarding sufficient and appropriate supporting documentation and authorization.

Campus Response

We concur and are in the process of implementing the recommendation. Blanket purchase orders have been generated for commercial operation expenses that can be anticipated. Staff has been reminded of existing cash disbursement policies.

PERSONNEL AND PAYROLL

Administration of ABS employee performance evaluations and processing of payroll required improvement.

We found that:

- ▶ Reconciliation of the ADP payroll report to the payroll input data report was performed by the same employee who added, changed, and/or deleted data into the payroll system.
- ▶ Performance evaluations were not conducted at least annually for full-time employees.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.6, *Payroll*, states that the auxiliary should establish a written control system that ensures payroll preparation is segregated from the general ledger functions such as hiring authorization, timekeeping, and distribution of checks. The compilation further states that the auxiliary should establish a written system that ensures proper authorization, approval, and documentation of new hires, changes in employment, salary and wage rates, and payroll deductions.

The ABS human resources officer stated that the lack of segregation of duties was due to oversight. She further stated that annual performance evaluations were not performed timely as the current review process is inefficient.

The lack of segregation of duties and annual employee performance evaluations increases the risk of loss, errors, and misappropriation and misunderstandings regarding duties and responsibilities.

Recommendation 15

We recommend that ABS:

- a. Properly segregate the payroll processing duties or institute mitigating procedures approved by the campus CFO.
- b. Ensure that employee performance evaluations are conducted at least annually and in a timely manner.

Campus Response

We concur.

- a. Payroll processing duties have been modified to ensure proper segregation.
- b. Follow-up on employee performance evaluations will be intensified.

PROPERTY AND EQUIPMENT

Certain ABS furniture items recorded as fixed assets were not properly tagged.

The Compilation of Policies and Procedures for California State University Auxiliary Organizations sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.7, *Property and Equipment*, states, in part, that the auxiliary should establish a written system that ensures proper recording of property and equipment when received and for labeling of equipment.

The ABS commercial operations manager stated that certain furniture was not tagged due to oversight.

Failure to tag fixed assets increases the risk that property may be lost or stolen.

Recommendation 16

We recommend that ABS ensure that all fixed assets are properly tagged.

Campus Response

We concur. All untagged items listed in the ABS inventory (e.g., dining room furniture) have been tagged.

INFORMATION TECHNOLOGY

DISASTER RECOVERY/BUSINESS CONTINUITY PLAN

ABS had not developed corresponding business continuation procedures for inclusion in its information technology (IT) disaster recovery plan.

EO 696, *Implementation of The California State University Emergency Preparedness Program*, dated January 29, 1999, states, in part, that each campus president is delegated the responsibility for the implementation of a multihazard emergency program on campus and shall ensure that management activities including, but not limited to, maintenance and regular updating of the institutional multihazard emergency plan and determination, acquisition, and maintenance of facilities, equipment, and related supplies required for emergency preparedness are accomplished.

The ABS accounting and finance manager stated that although the IT disaster recovery plan had been recently created, business continuation procedures had been overlooked.

Without a detailed, written disaster recovery plan that includes corresponding business continuation procedures, business operations may be interrupted and data processing operations may not be restored within a reasonable time frame.

Recommendation 17

We recommend that the ABS develop business continuation procedures for inclusion in its IT disaster recovery plan.

Campus Response

We concur. These procedures will be developed by August 31, 2005.

COMPUTER ROOM ENVIRONMENTAL CONTROLS

ABS had not installed smoke detection or fire extinguishing equipment in the computer room housing the financial computer system.

EO 698, *Board of Trustees Policy for The California State University Auxiliary Organizations*, dated March 3, 1999, states that the review of auxiliary organizations will be used to determine appropriate separation of duties, safeguarding of assets, and reliability and integrity of information.

The ABS accounting and finance manager stated that this equipment had been overlooked during their recent move to the new computer facility.

Without appropriate physical safeguards over the facilities housing computer equipment, there is increased risk of disruption of data processing services.

Recommendation 18

We recommend that ABS install smoke detection and fire extinguishing equipment in the computer room housing the financial computer system.

Campus Response

We concur. We will make the required modifications to the computer room by November 2005.

**ASSOCIATED STUDENTS INCORPORATED OF
CALIFORNIA STATE UNIVERSITY, STANISLAUS**

FISCAL COMPLIANCE

The Associated Students Incorporated of California State University, Stanislaus (ASI) reserve policy did not specify minimum reserve levels for fund categories.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 15.11.2, *Reserve Guidelines*, states that each student body organization shall have a written policy on reserves with specifically defined categories and targeted funding levels for each. Section 8.9.9, *Reserves and Net Assets*, states that the auxiliary should implement financial standards that will assure fiscal viability, including proper provision for professional management, adequate working capital, adequate reserve funds for current operations and capital replacements, and adequate provisions for new business requirements.

The ASI director stated that the failure to include minimum reserve funding levels in the policy was due to oversight.

The absence of a complete reserve policy increases the risk of misunderstandings and miscommunication regarding available reserves.

Recommendation 19

We recommend that the ASI revise its reserve policy to include minimum reserve levels for each fund category.

Campus Response

We concur. The ASI senate revised and approved a new formal reserve policy on May 24, 2005.

SEGREGATION OF DUTIES

Duties and responsibilities related to the ASI recreation and wellness coordinator were not appropriately segregated at the ASI.

We found that the recreation and wellness coordinator:

- ▶ Ordered supplies.
- ▶ Prepared purchase orders.
- ▶ Verified receipt.

EO 698, *Board of Trustees Policy for The California State University Auxiliary Organizations*, dated March 3, 1999, states that the review of auxiliary organizations will be used to determine appropriate separation of duties, safeguarding of assets, and reliability and integrity of information.

The ASI director stated that resource constraints did not allow for an appropriate segregation of duties.

Inadequate segregation of duties increases the risk that errors and irregularities will not be detected in a timely manner.

Recommendation 20

We recommend that the ASI properly segregate the duties of the recreation and wellness coordinator or institute mitigating controls approved by the campus CFO.

Campus Response

We concur. Due to the size of our organization, currently two full-time staff, we will be working with the campus CFO, along with the ABS, to devise a solution on the segregation of duties of the recreation and wellness coordinator by September 1, 2005.

CASH RECEIPTS AND HANDLING

Administration of ASI cash receipts and handling was inadequate.

We found that:

- ▶ Written policies and procedures for the collection of cash from recreation and wellness activities had not been established.
- ▶ The recreation and wellness coordinator received cash, reconciled payments, and prepared deposits.
- ▶ Daily cash receipts for the lap swim program were inadequately secured at the university pool.
- ▶ The combination to the safe located at the ASI student offices had not been changed.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates adequate administration of cash receipts and handling.

The ASI director stated that the lack of adequate administration of cash was due to oversight. She also stated her belief that the combination safe was designed so that the combination could not be changed.

Inadequate administration of cash receipts and handling increases the risk of loss or misappropriation of funds.

Recommendation 21

We recommend that the ASI:

- a. Establish written policies and procedures for the collection of cash from recreation and wellness activities.
- b. Segregate the cash handling duties of the recreation and wellness coordinator or institute mitigating controls as approved by the campus CFO.
- c. Ensure that daily cash receipts are properly safeguarded.
- d. Change the safe combination located at the ASI student offices immediately and upon employee separation.

Campus Response

We concur. Due to the size of our organization, currently two full-time staff, we will be working with the campus CFO, along with the ABS, to devise a solution on the segregation of duties of the recreation and wellness coordinator by September 1, 2005. In addition, the appropriate work order has been submitted and has become a part of standard office operating procedures.

FEES, REVENUES, AND RECEIVABLES

The ASI had not tracked or accounted for unrelated business income (UBI) for its summer kid's camp, nor did the ASI file an Internal Revenue Service (IRS) Form 990T.

We found that the ASI operated a summer kid's camp in which a majority of its revenues were derived from community members.

Internal Revenue Code (IRC) §512 through §514 describe UBI. The IRC defines an unrelated trade or business of an exempt organization as any trade or business, the conduct of which is not substantially related to the exercise or performance of its tax-exempt purpose. UBI in excess of \$1,000 needs to be reported to the IRS whether or not tax liability is incurred. In addition, an organization's tax-exempt status could be at risk if too large a proportion of its revenue is derived from UBI.

The ASI director stated that she was unaware of the requirement to track UBI or file Form 990T for the summer kid's camp program.

Failure to properly document and report UBI increases the auxiliary's exposure to potential penalties and actions by the IRS.

Recommendation 22

We recommend that the ASI sufficiently track or account for UBI in its business operations and file IRS Form 990T as appropriate.

Campus Response

We concur. We have recently secured a new financial auditor to conduct our annual audit and file our annual tax return/forms. We will request that this same firm investigate the nature of our revenues in relation to UBI. We will prepare and file the necessary tax forms as deemed appropriate by their findings.

PURCHASING AND ACCOUNTS PAYABLE

Certain ASI cash disbursements were not supported by sufficient and appropriate documentation and/or appropriate authorization.

Our review of 48 cash disbursements disclosed the following:

- ▶ In five instances, a purchase order was created subsequent to the receipt of invoice.
- ▶ In four instances, a list of attendees for retreats or conferences was not included as support for disbursements.
- ▶ In one instance, payment was issued to replace a lost gift certificate without verification by original recipient.
- ▶ In one instance, a hand-written receipt was accepted as support for a disbursement.
- ▶ In one instance, equipment was purchased in violation of the credit card policy.
- ▶ Three students were issued advances from trust accounts without adequate documentation and oversight. In two instances, no receipts were submitted to support the amount of the advance. In one instance, the receipts submitted were for the purchase of alcohol and a money order. In addition, receipts for food purchases, dated several months prior, were included as documentation.

We also noted on numerous purchase orders that the originator of the transaction and at least one or more of the approvers of the purchase order were the same person.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates that all cash disbursements be fully supported and properly authorized.

The ASI director stated that the lack of sufficient and appropriate documentation and authorization was due to oversight. The ASI president stated that, in some instances, it was difficult to follow up on advances issued from trust accounts due to the turnover in the ASI student administration at year end.

Insufficient supporting documentation and/or lack of appropriate authorization increase the risk of errors, irregularities, and misappropriation of funds.

Recommendation 23

We recommend that the ASI:

- a. Ensure that one-up authorization is obtained on all purchase orders.
- b. Reiterate to staff existing cash disbursement policies and procedures regarding sufficient and appropriate supporting documentation and authorization.

Campus Response

We concur. The ASI has implemented a new executive officer training program that will include review of all finance codes and policies for the organization. In addition, a cash advance procedure has been written and implemented during the spring 2005 semester.

UNIVERSITY UNION OF CALIFORNIA STATE UNIVERSITY, STANISLAUS

OPERATING AND ADMINISTRATIVE AGREEMENTS

Certain agreements among the University Union of California State University, Stanislaus (Union) and the campus, auxiliary organizations, and the Union program board were incomplete or not executed in a timely manner.

We noted that:

- ▶ The operating agreement dated July 1, 2003, was not signed by the campus and the Foundation until June 2004.
- ▶ The business service agreement between the Union and ABS did not include a right-to-audit clause.
- ▶ The indemnification provision in the Union's agreement with the ASI did not specifically indemnify the CSU Trustees, the campus, and the State of California.
- ▶ The indemnification provision in the Union program board's standard service agreement did not specifically indemnify the CSU Trustees, the campus, and the State of California.

Title 5 §42501 states that a written agreement on behalf of the State of California by the Chancellor of the CSU and the auxiliary organization is required for the performance by such auxiliary organization of any of the functions listed in §42500. Title 5 §42502 states that the operating agreement should specify the function or functions that the organization is to manage, operate, or administer.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates that business arrangements be supported by complete, written agreements and executed in a timely manner.

EO 849, *California State University Insurance Requirements*, dated February 5, 2003, states that hold harmless provisions should be modeled after agreements available at the CSU contract resource library. The model auxiliary operating agreement states that auxiliary organizations shall agree to indemnify, defend, and save harmless the State of California, the Trustees of the CSU, the campus, and the officers, employees, volunteers, and agents of each of them from any and all loss, damage, or liability that may be suffered or incurred by state, caused by, arising out of, or in any way connected with the operations of the auxiliary.

The Union director stated that the lack of proper approval prior to the execution of the agreement, the exclusion of a right-to-audit clause, and an improper indemnification clause were due to management oversight.

Operating in the absence of complete and approved written agreements increases the risk of misunderstandings and miscommunication regarding rights and responsibilities of the auxiliary.

Recommendation 24

We recommend that the Union:

- a. Ensure that its operating agreement with the campus is signed and executed in a timely manner.
- b. Revise its business service agreement with ABS to include a right-to-audit clause.
- c. Ensure that agreements include indemnification clauses in accordance with EO 849.

Campus Response

We concur.

- a. The operating agreement between the Trustees and the Union has been renewed and is in effect through December 31, 2007. The agreement includes the indemnification for the CSU Trustees, the campus, and the State of California. Operating agreements between the Union and ASI, the student activities center, and Golden One Credit Union are completed and signed for the new fiscal year, and will be completed for upcoming years prior to their expiration.
- b. The Union's business service agreement with ABS has been amended with a right-to-audit clause, effective April 1, 2005.
- c. The Union will revise by September 1, 2005, the Union program board's standard service agreement to specifically indemnify the CSU Trustees, the campus, and the State of California.

FEES, REVENUES, AND RECEIVABLES

Administration of Union revenue received from arcade machines required improvement.

We noted that:

- ▶ The accuracy of internal game counters was not verified.
- ▶ An independent reconciliation of the monies collected by the arcade machine vendor was not performed.
- ▶ A reconciliation between the amount of commission received to the amount of monies collected was not performed.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that

allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates the comprehensive reconciliation of revenues.

The Union assistant director stated that the lack of proper administration of revenues was due to oversight.

Inadequate administration of revenues increases the risk that errors or misappropriation of funds will not be detected.

Recommendation 25

We recommend that the Union:

- a. Verify the accuracy of internal game counters on a regular basis.
- b. Take appropriate measures to ensure that an independent reconciliation of monies collected by the arcade machine vendor is performed.
- c. Perform a reconciliation between the amount of commission received to the amount of monies collected from the arcade machines.

Campus Response

We concur. The accuracy of the internal game counters will be verified on a random basis by the assistant director or his designee at least twice a year. The assistant director or designee will always accompany the representative of the arcade vendor to collect the monies from the machines. The Union representative will also be present when the monies are counted. A receipt for the amount collected will be obtained from the arcade representative and provided to the Union office administrator for reconciliation purposes. The Union representative will not be the same person every time. In addition, the Union office administrator will perform reconciliation at least monthly between the amount of commission received to the amount of monies collected.

PURCHASING AND ACCOUNTS PAYABLE

Certain Union cash disbursements were not supported by sufficient and appropriate documentation.

Our review of 50 cash disbursements disclosed the following:

- ▶ In seven instances, a facsimile invoice was accepted for payment without certification that records were verified to prevent duplicate payment.
- ▶ In seven instances, a list of attendees was not submitted to support luncheons or group activity.
- ▶ In five instances, a purchase order was prepared subsequent to the receipt of invoice.

- ▶ In one instance, payment was issued based on a photocopied receipt.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates that cash disbursements be fully supported and properly authorized.

The Union director stated that the lack of sufficient and appropriate documentation was due to oversight.

Insufficient supporting documentation increases the risk of errors, irregularities, and misappropriation of funds.

Recommendation 26

We recommend that the Union reiterate to staff existing cash disbursement policies and procedures regarding sufficient and appropriate supporting documentation.

Campus Response

We concur. The Union director will conduct with staff prior to the start of the fall 2005 semester a complete review of cash disbursement policies and procedures regarding sufficient and appropriate documentation, with specific attention to proper documentation of invoices. Written office procedures will be amended as required. Photocopied receipts will not be accepted.

INVENTORIES

The Union did not perform a reconciliation of consignment tickets on hand to the ticket summary received by the vendor.

We noted two misplaced tickets that were not identified during the normal course of business.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice requires a comprehensive reconciliation for ticket inventory.

The Union office administrator stated that tickets were only reconciled to daily sales and that a reconciliation was not performed between the number of the tickets on hand to the ticket summary received from the vendor.

Failure to reconcile ticket inventory increases the risk of errors, loss, and misappropriation.

Recommendation 27

We recommend that the Union perform a periodic reconciliation of the consignment tickets on hand to the ticket summary received from the vendor.

Campus Response

We concur. The Union office administrator or designee will perform a monthly reconciliation of the consignment tickets on hand to the ticket summary received by the vendor. The Union director will review and initial the reconciliation.

APPENDIX A: PERSONNEL CONTACTED

Name

Title

CAMPUS

Hamid Shirvani	President
Marvalene Hughes	Interim President (At time of review)
Suzanne Burns	Director, Research and Sponsored Programs
Frederick Edmundson	Associate Vice President/Dean of Students
Patrick Kelly	Director, Endangered Species Recovery Program/Instructor Faculty
Stacy Morgan-Foster	Vice President, Student Affairs
William Ruud	Vice President, Development and University Relations
Mary Stephens	Vice President, Business and Finance

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

Robert Harris	Director, Advancement Services
Durena Long	Accounting Technician
Kellie Marshall	Administration Support Assistant
Marlene Murphy	Accounting Technician
William Ruud	Executive Director

CALIFORNIA STATE UNIVERSITY, STANISLAUS AUXILIARY AND BUSINESS SERVICES

Terri Cole	Senior Account Coordinator
Val Heckendorf	Human Resources Officer
Kathleen Kennemer	Accounts Receivable Specialist
Nanako Lopshire	Accounts Payable Specialist
Laurie Marroquin	Accounts Payable Clerk Assistant
Clyta Polhemus	Commercial Operations Manager
Mary Stephens	Executive Director
Miriam Verduzco	Data Entry Clerk
Alison Wolz	Business Services Accounting and Finance Manager

ASSOCIATED STUDENTS INCORPORATED OF CALIFORNIA STATE UNIVERSITY, STANISLAUS

Bridget Gyforyi	Vice President, Finance
Jennifer Rose	Recreation and Wellness Coordinator
Cesar Rumayor	President
Cari Stammler	Director

UNIVERSITY UNION OF CALIFORNIA STATE UNIVERSITY, STANISLAUS

Alan Brown	Director
Bill Brosmer	Assistant Director
Melanie Lourenco	Office Administrator

STATEMENT OF INTERNAL CONTROLS

A. INTRODUCTION

Internal accounting and related operational controls established by the State of California, the CSU Board of Trustees, and the Office of the Chancellor are evaluated by the University Auditor, in compliance with professional standards for the conduct of internal audits, to determine if an adequate system of internal control exists and is effective for the purposes intended. Any deficiencies observed are brought to the attention of appropriate management for corrective action.

B. INTERNAL CONTROL DEFINITION

Internal control, in the broad sense, includes controls that may be characterized as either accounting or operational as follows:

1. Internal Accounting Controls

Internal accounting controls comprise the plan of organization and all methods and procedures that are concerned mainly with, and relate directly to, the safeguarding of assets and the reliability of financial records. They generally include such controls as the systems of authorization and approval, separation of duties concerned with recordkeeping and accounting reports from those concerned with operations or asset custody, physical controls over assets, and personnel of a quality commensurate with responsibilities.

2. Operational Controls

Operational controls comprise the plan of organization and all methods and procedures that are concerned mainly with operational efficiency and adherence to managerial policies and usually relate only indirectly to the financial records.

C. INTERNAL CONTROL OBJECTIVES

The objective of internal accounting and related operational control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting and operational control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgment by management.

D. INTERNAL CONTROL SYSTEMS LIMITATIONS

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting and related operational control. In the performance of most control procedures, errors can result from misunderstanding of instruction, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect to the executing and recording of transactions. Moreover, projection of any evaluation of internal accounting and operational control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate. It is with these understandings that internal audit reports are presented to management for review and use.



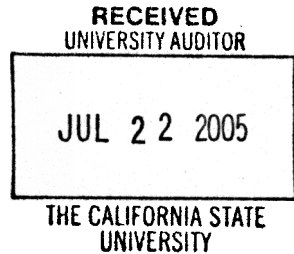
CALIFORNIA STATE UNIVERSITY, STANISLAUS

801 West Monte Vista Avenue • Turlock, California 95382
(209) 667-3077 • FAX (209) 667-3350

Vice President for Business and Finance

July 21, 2005

Larry Mandel, University Auditor
Office of the Chancellor
401 Golden Shore
Long Beach, CA 90802-4210



Dear Larry:

The campus responses to the recent CSU Stanislaus auxiliary compliance audit recommendations are enclosed. We appreciate the effort made to recommend areas needing improvement and assure you that all findings will be fully addressed over the next few months.

Any questions concerning the response should be directed to Clyta Polhemus at (209) 664-6507 or via email at cpolhemus@csustan.edu and she will forward it to the appropriate auxiliary Director.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mary Stephens'.

Mary Stephens, Vice President
Business and Finance

Enclosure

cc: President Shirvani w/attachment
Vice President Ruud w/attachment
Vice President Morgan-Foster w/attachment
Associate Vice President Edmondson w/attachment
Audit Manager Bolin w/attachments

THE CALIFORNIA STATE UNIVERSITY

**AUXILIARY ORGANIZATIONS
CALIFORNIA STATE UNIVERSITY,
STANISLAUS**

**Report Number 04-51
May 6, 2005**

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

OPERATING AND ADMINISTRATIVE AGREEMENTS

Recommendation 1

We recommend that the Foundation ensure that its operating agreement with the campus is signed and submitted to the chancellor's office for approval in a timely manner.

Campus Response

We concur. We will take steps to insure that the Operating Agreement for the Foundation will be executed in a timely manner.

CORPORATE GOVERNANCE

BOARD MEETINGS

Recommendation 2

We recommend that the Foundation take appropriate measures to ensure that board minutes are maintained for all meetings.

Campus Response

We concur. Agendas will be prepared and minutes taken for each quarterly meeting of the Foundation Board of Trustees. They will be published in a timely manner to ensure continuation of sound business practices. The policy and procedures will be reiterated to ensure compliance.

BOARD MINUTES

Recommendation 3

We recommend that the Foundation take appropriate measures to ensure that its board minutes are signed and approved by an appropriate official.

Campus Response

We concur. Minutes taken at each quarterly Board of Trustees meeting will be validated by a board official signature. Policy and procedures will be enhanced and reiterated to ensure compliance.

OPERATIONAL COMPLIANCE

RESERVES

Recommendation 4

We recommend that the Foundation:

- a. Establish an operating reserve.
- b. Ensure that the reserve is maintained in accordance with the reserve policy or revise the reserve policy to reflect current practice.
- c. Ensure that the grant and contract disallowance reserve is only used for its stated purpose.

Campus Response

We concur. The transfer of grants and contracts from the Foundation to State Accounting was expected to have been completed during the year. A reserve policy was not enacted in a timely manner under this assumption. While this transition is still expected to occur, we will revise current policy by November 2005, to assure an appropriate reserve is held.

CONFLICT OF INTEREST

Recommendation 5

We recommend that the Foundation ensure that annual conflict-of-interest statements are obtained from all board members.

Campus Response

We concur. Future statements will be obtained by June 15th, in compliance with the Foundation's Conflict of Interest policy.

CASH RECEIPTS AND HANDLING

Recommendation 6

We recommend that the Foundation ensure that independent reconciliation is performed for cash receipts.

Campus Response

We concur. The example cited in the finding was due to a significant reduction in staffing. We are in the process of increasing office staff to avoid this occurrence and to maintain compliance with the policy related to this issue.

FEES, REVENUES, AND RECEIVABLES**Recommendation 7**

We recommend that the Foundation ensure that revenue reconciliations are performed for all fundraising events.

Campus Response

We concur. Policy dictates that revenue reconciliation be performed for all fundraising events. Staff will be trained and it shall be reiterated that all tickets, cash, and receivables are to be reconciled in a timely manner.

PURCHASING AND ACCOUNTS PAYABLE**Recommendation 8**

We recommend that the Foundation and ABS reiterate to staff existing cash disbursement policies and procedures regarding sufficient and appropriate supporting documentation and authorization.

Campus Response

We concur. Foundation, ABS, and State Accounting policies dictate that appropriate documentation be obtained prior to the purchase of goods. We will create a checklist and institute practices to ensure that policy is followed by November 2005.

AUXILIARY PROGRAMS**CONTRACTS AND GRANTS – PROJECT FILES****Recommendation 9**

We recommend that the Foundation develop written procedures for the maintenance of contracts and grants project files.

Campus Response

We concur. The anticipated transition of Contracts and Grants to state accounting did not materialize during the audited period. Although this transition is still anticipated, we will establish policies by November 2005, in association with the policies of the Office of Research and Sponsored Programs and state accounting.

CONTRACTS AND GRANTS – PROJECT OVERSIGHT

Recommendation 10

We recommend that the Foundation:

- a. Develop written procedures regarding the oversight of contracts and grants, specifically for post-award activities.
- b. Ensure that sufficient oversight is provided for contracts and grants post-award activities by the auxiliary and/or the campus.

Campus Response

We concur. The anticipated transition of Contracts and Grants to state accounting did not materialize during the audited period.

Although this transition is still anticipated, we will establish policies by November 2005, in association with the policies currently in place and established by the Office of Research and Sponsored Programs and state accounting until the transition is completed.

CALIFORNIA STATE UNIVERSITY, STANISLAUS
AUXILIARY AND BUSINESS SERVICES

OPERATING AND ADMINISTRATIVE AGREEMENTS

Recommendation 11

We recommend that ABS:

- a. Execute written agreements in a timely manner.
- b. Ensure that agreements include appropriate indemnification clauses.

Campus Response

We concur and are in the process of modifying agreements to include appropriate indemnification language. This process will be completed by November 2005.

FACILITIES AGREEMENTS

Recommendation 12

We recommend that ABS:

- a. Obtain a lease agreement for the Stockton Bookstore.
- b. Execute written agreements in a timely manner.

Campus Response

We concur and are in the process of implementing the recommendation. The Stockton Bookstore has been added to the Campus Services agreement under Section A, Commercial Facilities Housed by the University. We anticipate full implementation by November 2005.

SEGREGATION OF DUTIES

Recommendation 13

We recommend that ABS:

- a. Segregate certain accounting functions for accounts receivable or institute mitigating procedures approved by the campus chief financial officer (CFO).
- b. Segregate the duties between the accounting software consultant and the ABS accounting and finance manager or institute mitigating procedures approved by the campus CFO.

Campus Response

- a. We concur and the accounts receivable procedures have been modified. The modifications were approved by the campus CFO.

- b. We concur and any software updates and fixes required will be performed by Bi-Tech SunGard, an outside service provider by November 2005.

PURCHASING AND ACCOUNTS PAYABLE

Recommendation 14

We recommend that ABS:

- a. Establish a procedure to ensure that purchase requisitions/purchase orders are created prior to purchase in all instances.
- b. Reiterate to staff existing cash disbursement policies and procedures regarding sufficient and appropriate supporting documentation and authorization.

Campus Response

We concur and are in the process of implementing the recommendation. Blanket purchase orders have been generated for commercial operation expenses that can be anticipated. Staff has been reminded of existing cash disbursement policies.

PERSONNEL AND PAYROLL

Recommendation 15

We recommend that ABS:

- a. Properly segregate the payroll processing duties or institute mitigating procedures approved by the campus CFO.
- b. Ensure that employee performance evaluations are conducted at least annually and in a timely manner.

Campus Response

We concur.

- a. Payroll processing duties have been modified to ensure proper segregation.
- b. Follow up on employee performance evaluations will be intensified.

PROPERTY AND EQUIPMENT

Recommendation 16

We recommend that ABS ensure that all fixed assets are properly tagged.

Campus Response

We concur. All untagged items listed in the ABS inventory (e.g., dining room furniture) have been tagged.

INFORMATION TECHNOLOGY

DISASTER RECOVERY/BUSINESS CONTINUITY PLAN

Recommendation 17

We recommend that the ABS develop business continuation procedures for inclusion in its IT disaster recovery plan.

Campus Response

We concur. These procedures will be developed by August 31, 2005.

COMPUTER ROOM ENVIRONMENTAL CONTROLS

Recommendation 18

We recommend that ABS install smoke detection and fire extinguishing equipment in the computer room housing the financial computer system.

Campus Response

We concur. We will make the required modifications to the computer room by November 2005.

**ASSOCIATED STUDENTS INCORPORATED OF
CALIFORNIA STATE UNIVERSITY, STANISLAUS**

FISCAL COMPLIANCE

Recommendation 19

We recommend that the ASI revise its reserve policy to include minimum reserve levels for each fund category.

Campus Response

We concur. The ASI Senate revised and approved a new formal reserve policy on Tuesday, May 24, 2005.

SEGREGATION OF DUTIES

Recommendation 20

We recommend that the ASI properly segregate the duties of the recreation and wellness coordinator or institute mitigating controls approved by the campus CFO.

Campus Response

We concur. Due to the size of our organization, currently 2 fulltime staff, we will be working with the campus CFO, along with the Auxiliary and Business Services, to devise a solution on the segregation of duties of the recreation and wellness coordinator by September 1, 2005.

CASH RECEIPTS AND HANDLING

Recommendation 21

We recommend that the ASI:

- a. Establish written policies and procedures for the collection of cash from recreation and wellness activities.
- b. Segregate the cash handling duties of the recreation and wellness coordinator or institute mitigating controls as approved by the campus CFO.
- c. Ensure that daily cash receipts are properly safeguarded.
- d. Change the safe combination located at the ASI student offices immediately and upon employee separation.

Campus Response

We concur. Items a, b, and c: Due to the size of our organization, currently 2 fulltime staff, we will be working with the campus CFO, along with the Auxiliary and Business Services, to devise a solution on the segregation of duties of the recreation and wellness coordinator by September 1, 2005.

Item d: The appropriate work order has been submitted and has become a part of standard office operating procedures.

FEES, REVENUES, AND RECEIVABLES**Recommendation 22**

We recommend that the ASI sufficiently track or account for UBI in its business operations and file IRS Form 990T as appropriate.

Campus Response

We concur. We have recently secured a new financial auditor to conduct our annual audit and file our annual tax return/forms. We will request that this same firm investigate the nature of our revenues in relation to UBI. We will prepare and file the necessary tax forms as deemed appropriate by their findings.

PURCHASING AND ACCOUNTS PAYABLE**Recommendation 23**

We recommend that the ASI:

- a. Ensure that one-up authorization is obtained on all purchase orders.
- b. Reiterate to staff existing cash disbursement policies and procedures regarding sufficient and appropriate supporting documentation and authorization.

Campus Response

We concur. The ASI has implemented a new Executive Officer training program that will include review of all finance codes and policies for the organization. In addition, a cash advance procedure has been written and implemented during the spring 2005 semester.

UNIVERSITY UNION OF CALIFORNIA STATE UNIVERSITY, STANISLAUS**OPERATING AND ADMINISTRATIVE AGREEMENTS****Recommendation 24**

We recommend that the Union:

- a. Ensure that its operating agreement with the campus is signed and executed in a timely manner.
- b. Revise its business service agreement with ABS to include a right-to-audit clause.
- c. Ensure that agreements include indemnification clauses in accordance with EO 849.

Campus Response

We concur.

- a. The operating agreement between the Trustees and the Student Union has been renewed and is in effect through December 31, 2007. The agreement includes the indemnification for the CSU Trustees, the campus, and the State of California. Operating agreements between the Union and Associated Students, the Student Activities Center, and Golden One Credit Union are completed and signed for the new fiscal year, and will be completed for upcoming years prior to their expiration.
- b. The Union's business service agreement with Auxiliary Business Services has been amended with a right-to-audit clause, effective 04/01/2005.
- c. The Union will revise by September 1, 2005, the Union Program Board's standard service agreement to specifically indemnify the CSU Trustees, the campus, and the State of California.

FEES, REVENUES, AND RECEIVABLES**Recommendation 25**

We recommend that the Union:

- a. Verify the accuracy of internal game counters on a regular basis.
- b. Take appropriate measures to ensure that an independent reconciliation of monies collected by the arcade machine vendor is performed.
- c. Perform a reconciliation between the amount of commission received to the amount of monies collected from the arcade machines.

Campus Response

We concur.

- a. The accuracy of the internal game counters will be verified on a random basis by the Assistant Director or his designee at least twice a year. The Assistant Director or designee will always

accompany the representative of the arcade vendor to collect the monies from the machines. The Union representative will also be present when the monies are counted. A receipt for the amount collected will be obtained from the arcade representative and provided to the Union Office Administrator for reconciliation purposes. The Union representative will not be the same person every time.

- b. The Union Office Administrator will perform reconciliation at least monthly between the amount of commission received to the amount of monies collected.

PURCHASING AND ACCOUNTS PAYABLE

Recommendation 26

We recommend that the Union reiterate to staff existing cash disbursement policies and procedures regarding sufficient and appropriate supporting documentation.

Campus Response

We concur. The Union Director will conduct with staff prior to the start of the fall 2005 semester a complete review of cash disbursement policies and procedures regarding sufficient and appropriate documentation, with specific attention to proper documentation of invoices. Written office procedures will be amended as required. Photocopied receipts will not be accepted.

INVENTORIES

Recommendation 27

We recommend that the Union perform a periodic reconciliation of the consignment tickets on hand to the ticket summary received from the vendor.

Campus Response

We concur. The Union Office Administrator or designee will perform a monthly reconciliation of the consignment tickets on hand to the ticket summary received by the vendor. The Union Director will review and initial the reconciliation.



THE CALIFORNIA STATE UNIVERSITY
 OFFICE OF THE CHANCELLOR

BAKERSFIELD

July 27, 2005

CHANNEL ISLANDS

CHICO

MEMORANDUM

DOMINGUEZ HILLS


EAST BAY

TO: Mr. Larry Mandel
University Auditor

FRESNO

FULLERTON

FROM: Charles B. Reed
Chancellor



HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 04-51 on *Auxiliary Organizations*,
California State University, Stanislaus

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of July 27, 2005, I accept the response as submitted with the draft final report on *Auxiliary Organizations*, California State University, Stanislaus.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/jt

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Dr. Hamid Shirvani, President

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS