

**AUXILIARY ORGANIZATIONS**  
**CALIFORNIA STATE UNIVERSITY,**  
**NORTHRIDGE**

**Audit Report 09-14**  
**October 1, 2009**

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## **ABBREVIATIONS**

ASI	Associated Students California State University, Northridge, Inc.
ATM	Automated Teller Machine
CFO	Chief Financial Officer
Corporation	The University Corporation
CSU	California State University
CSUN	California State University, Northridge
EO	Executive Order
FY	Fiscal Year
Foundation	California State University, Northridge, Foundation
HR	Human Resources
North Campus	North Campus – University Park Development Corporation
PCI DSS	Payment Card Industry Data Security Standards
RFIN	Resolution of the Committee on Finance
Student Union	University Student Union of California State University, Northridge

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## 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, Northridge (CSUN) 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 CSUN campus and its auxiliary organizations from March 30, 2009, through April 30, 2009, and made a study and evaluation of the system of internal compliance/internal control in effect as of April 30, 2009. This report represents our triennial review.

Our study and evaluation at the *California State University, Northridge, 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 April 30, 2009, taken as a whole, was sufficient to meet the objectives stated above.

Our study and evaluation at *The University Corporation* 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 April 30, 2009, taken as a whole, was sufficient to meet the objectives stated above.

Our study and evaluation at *Associated Students California State University, Northridge, Inc.* revealed certain conditions that, in our opinion, could result in errors and irregularities if not corrected. Specifically, the auxiliary did not maintain adequate control over the following areas: purchasing and accounts payable, and property and equipment. Also, we identified one repeat finding from the prior auxiliary organizations audit. These conditions, along with other reportable weaknesses, are described in the executive summary and in the body of the report. In our opinion, except for the effect of the weaknesses described above, accounting and administrative control in effect as of April 30, 2009, taken as a whole, was sufficient to meet the objectives stated above.

Our study and evaluation at the *University Student Union of California State University, Northridge* 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 April 30, 2009, taken as a whole, was sufficient to meet the objectives stated above.

Our study and evaluation at the *North Campus – University Park Development Corporation* 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 April 30, 2009, 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.

## **CAMPUS**

### **INFORMATION TECHNOLOGY [12]**

Password controls and system security were not always adequate for the computer systems of the California State University, Northridge, Foundation (Foundation); The University Corporation (Corporation); Associated Students California State University, Northridge, Inc. (ASI); and University Student Union of California State University, Northridge (Student Union). The Foundation, Corporation, ASI, and Student Union did not perform periodic, documented management reviews of user access privileges within all non-PeopleSoft systems and applications containing protected data and did not require personnel with access to protected data to complete information security awareness training.

**CALIFORNIA STATE UNIVERSITY, NORTHRIDGE, FOUNDATION**

**OPERATIONAL COMPLIANCE [16]**

The Foundation had not developed a written risk management policy.

**PROGRAM COMPLIANCE [16]**

The Foundation did not report stipends paid to students to the campus financial aid office.

**THE UNIVERSITY CORPORATION**

**OPERATING AND ADMINISTRATIVE AGREEMENTS [18]**

Certain business arrangements between the Corporation and third parties did not include appropriate indemnification clauses or were not supported by fully executed written agreements.

**CORPORATE GOVERNANCE [19]**

The Corporation had not filed amended Bylaws with the chancellor's office in a timely manner.

**FISCAL COMPLIANCE [20]**

Corporation reimbursements to the campus for indirect costs incurred for sponsored programs, as well as post-award administration fees charged by the Corporation, were not formerly agreed upon in a written agreement or memorandum of understanding.

**SEGREGATION OF DUTIES [21]**

Certain duties and responsibilities related to accounts payable processing were not adequately segregated at the Corporation.

**PURCHASING AND ACCOUNTS PAYABLE [22]**

The Corporation did not require staff to complete a travel request form prior to travel to document approval of travel and related expenditures to be incurred.

**PROPERTY AND EQUIPMENT [22]**

Administration of Corporation property and equipment did not ensure independent property and equipment counts, timely fixed asset reports, and proper approval of asset disposals.

## **TRUSTS AND OTHER LIABILITIES [24]**

State funds were inappropriately maintained within Corporation agency fund accounts.

## **AUXILIARY PROGRAMS [25]**

The Corporation had not performed an independent reconciliation of meal plan payments received against meal plan points added.

## **INFORMATION TECHNOLOGY [26]**

Access to the Corporation server room was not adequately controlled and proper environmental controls were not in place.

## **ASSOCIATED STUDENTS CALIFORNIA STATE UNIVERSITY, NORTHRIDGE, INC.**

## **OPERATING AND ADMINISTRATIVE AGREEMENTS [28]**

Certain written agreements between ASI and another auxiliary or campus departments were not timely, fully executed, or complete; and an electronic log of agreements with renewal dates was not maintained. This is a repeat finding from the prior Auxiliary Organizations audit.

## **CORPORATE GOVERNANCE [29]**

ASI did not consistently have the required number of directors on its governing board.

## **OPERATIONAL COMPLIANCE [30]**

ASI had not developed written policies and procedures to address risk management and record retention. Further, ASI human resources had not examined, identified, or tracked roles and responsibilities of job positions that make decisions, which may require filing a statement of economic interest.

## **CASH RECEIPTS AND HANDLING [32]**

Cash control weaknesses were found at the ASI accounting office and two ASI cashiering areas visited.

## **PURCHASING AND ACCOUNTS PAYABLE [34]**

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

## **PROPERTY AND EQUIPMENT [36]**

Administration of ASI property and equipment was deficient.

## **UNIVERSITY STUDENT UNION OF CALIFORNIA STATE UNIVERSITY, NORTHRIDGE**

### **OPERATING AND ADMINISTRATIVE AGREEMENTS [39]**

Certain written agreements between the Student Union and other third-party vendor service providers did not contain adequate provisions for information security and privacy responsibilities and indemnification.

### **CASH RECEIPTS AND HANDLING [40]**

Pre-printed and pre-numbered cash receipts and mail receipts logs were not periodically reconciled to confirming documentation by an independent person at the Student Union.

### **PURCHASING AND ACCOUNTS PAYABLE [41]**

Certain Student Union purchase orders were not processed in a timely manner and in accordance with the Student Union purchasing policy. Further, the Student Union did not consistently require sufficient supporting documentation for the settlement of employee travel expense claims when attending conferences.

### **INFORMATION TECHNOLOGY [43]**

Unique user account IDs were not always used for login to Student Union systems to localize transaction accountability to specific employees.

## **NORTH CAMPUS – UNIVERSITY PARK DEVELOPMENT CORPORATION**

### **OPERATING AND ADMINISTRATIVE AGREEMENTS [45]**

The operating agreement between the North Campus and the CSU Trustees expired on June 30, 2006, and had not been renewed.

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## 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.

The California State University, Northridge, Foundation (Foundation) was established in 1995 as a non-profit public benefit corporation responsible for helping California State University, Northridge (CSUN) raise private, philanthropic contributions from individuals, businesses, and other charitable organizations in support of the university's mission of helping students realize their educational goals. The Foundation is also responsible for accepting, managing, and investing all private funds and endowments for the university. The Foundation does not have employees and relies on university advancement for accounting and administrative support services.

The University Corporation (Corporation) was established in 1958 as a non-profit corporation. The Corporation is responsible for commercial operations, including the Matador Bookstore, campus and residential dining services, convenience stores, catering and vending/ATM operations; post-award administration of sponsored programs; endowment administration; staff and faculty housing; licensing of university facilities for use by off-campus groups; and fiscal administration of campus programs, such as centers and institutes. Although the bookstore is operated by Follett, and staff and faculty housing is managed by a property management firm, the Corporation performs all accounting in-house. Funds within the Corporation are committed to the purposes for which they have been received and are, therefore, unavailable for other activities.

Associated Students California State University, Northridge, Inc. (ASI) was established in 1961 as a non-profit corporation with the specific and primary purpose of operating a charitable and educational organization. ASI is charged with operating student body organization programs, the Children's Center, the ticket and box office, the recycling center, transportation services, supplementary health services, and instructionally related programs and activities. ASI also provides the campus community with social, cultural, educational and entertainment opportunities. ASI is governed by the student board of directors and employs a general manager and numerous management and staff personnel to manage daily operations.

The University Student Union of California State University, Northridge (Student Union) was established in 1975 as a non-profit corporation responsible for providing a variety of unique and convenient programs and services on the CSUN campus. The Student Union has two locations, the University Student Union and the Satellite Student Union. The Student Union operates these student union buildings as well as sponsors various campus activities that complement the instructional programs and initiatives of the university, such as conference and meeting room rentals, commercial leases to retailers, and study and recreation locations and activities.

The North Campus – University Park Development Corporation (North Campus) was established in 1981 as a non-profit public benefit corporation and became an auxiliary organization of the California State University (CSU) in 1988. The North Campus is primarily charged with leasing, subleasing, and development of approximately 65 acres of CSUN land and is governed by an eight-member board of directors comprised of representatives from CSUN administration, faculty, students and the community. The North Campus does not have employees and relies on the Corporation for accounting and administrative support services.

## **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 2006/07 and 2007/08 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 1, 2008, to April 30, 2009. 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, Northridge, Foundation

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

The University Corporation

- ▶ Operating and Administrative Agreements
- ▶ Facilities Agreements
- ▶ Corporate Governance
- ▶ Fiscal Compliance
- ▶ Operational Compliance
- ▶ Program Compliance
- ▶ Campus Oversight and Control
- ▶ Segregation of Duties
- ▶ Cash Receipts and Handling
- ▶ Petty Cash and Change Funds
- ▶ Investments
- ▶ Fees, Revenues, and Receivables
- ▶ Purchasing and Accounts Payable
- ▶ Personnel and Payroll
- ▶ Property and Equipment
- ▶ Trusts and Other Liabilities
- ▶ Auxiliary Programs
- ▶ Information Technology

Associated Students California State University, Northridge, Inc.

- ▶ Operating and Administrative Agreements
- ▶ Facilities Agreements
- ▶ Corporate Governance
- ▶ Fiscal Compliance
- ▶ Operational Compliance
- ▶ Program Compliance
- ▶ Campus Oversight and Control
- ▶ Segregation of Duties

Associated Students California State University, Northridge, Inc. (cont.)

- ▶ Cash Receipts and Handling
- ▶ Petty Cash and Change Funds
- ▶ Investments
- ▶ Fees, Revenues, and Receivables
- ▶ Purchasing and Accounts Payable
- ▶ Personnel and Payroll
- ▶ Property and Equipment
- ▶ Trusts and Other Liabilities
- ▶ Auxiliary Programs
- ▶ Information Technology

University Student Union of California State University, Northridge

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

North Campus – University Park Development Corporation

- ▶ 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
- ▶ Property and Equipment
- ▶ Auxiliary Programs

Campus

- ▶ Campus Oversight and Control

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INTRODUCTION

We have not performed any auditing procedures beyond April 30, 2009. 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.

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# OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

## CAMPUS

### INFORMATION TECHNOLOGY

#### PASSWORD AND DATA SECURITY

Password controls and data security were not always adequate for the computer systems of the California State University, Northridge, Foundation (Foundation); The University Corporation (Corporation); Associated Students California State University, Northridge, Inc. (ASI); and University Student Union of California State University, Northridge (Student Union).

We found that:

- ▶ Password security parameters were inadequate at the Corporation, ASI, and Student Union for the ADP payroll system, as there were no minimum character and complexity requirements and no password expiration. Also, the Paychex payroll system for the ASI lacked these same password security parameters.
- ▶ The ADP database servers and local file servers of the Corporation, ASI, and Student Union contained protected employee data which was not encrypted. Also, the Paychex database server at ASI contained protected employee data that was not encrypted.
- ▶ Protected donor data, including social security numbers, downloaded from the Raiser's Edge system using a Crystal Reports reporting tool was not encrypted when stored locally on computers and to the Foundation file server.
- ▶ Sensitive donor data, including donor contact information, California State University (CSUN) affiliation, and donation history, transferred from the Raiser's Edge system to the Campus Call system was not encrypted when stored locally on the Campus Call server.

Executive Order (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.

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 strong password parameters and encryption of any protected/sensitive data residing on auxiliary systems and/or files.

The executive directors/general managers from these auxiliaries stated that the ADP and Paychex systems were not always running on the most updated versions with adequate password security parameters. They also stated that the need to encrypt protected/sensitive data stored locally had not been fully considered, but that auxiliary servers residing in the campus data center were assumed to have been properly secured.

Inadequate password parameters may compromise the authentication credentials of user account privileges that are embedded into applications and operating systems - all of which increase the risk of unauthorized access to auxiliary systems and confidential data. Failure to encrypt protected employee and donor data could require the auxiliary to notify all affected parties in the event of a breach of security, while unencrypted sensitive donor data, if breached, could potentially damage the auxiliary's reputation and negatively affect future donations.

### **Recommendation 1**

We recommend that the campus and auxiliaries:

- a. Reassess security requirements and set effective password security controls for all auxiliary computer systems with protected data.
- b. Apply encryption controls to all auxiliary computers, databases, and file servers that house protected or sensitive data.

### **Campus Response**

We concur. The campus and auxiliaries will:

- a. Reassess security requirements and set effective password security controls for all auxiliary computer systems with protected data.

Expected completion date: February 1, 2010

- b. Apply encryption controls to all auxiliary computers, databases, and file servers that house protected or sensitive data.

Expected completion date: February 1, 2010

### **USER ACCESS REVIEWS**

The Foundation, Corporation, ASI, and Student Union did not perform periodic, documented management reviews of user access privileges within non-PeopleSoft systems and applications containing protected data.

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 California State University (CSU) system. Section 8.10, *Computer Controls*, states that auxiliary organizations should establish written policies and practices creating levels of security linked to job responsibilities and data sensitivity.

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 a periodic, documented review of user access privileges within all systems and applications containing protected data.

The executive directors/general managers from these auxiliaries stated that management reviews of user access privileges were performed on an informal ad hoc basis, but were not consistently documented.

Failure to periodically perform a documented review of user access to systems containing protected data increases the risk of inappropriate access.

### **Recommendation 2**

We recommend that all auxiliaries conduct periodic, documented management reviews of user access for all systems containing protected data, at least annually.

### **Campus Response**

We concur. All auxiliaries will conduct periodic, documented management reviews of user access for all systems containing protected data, at least annually.

Expected completion date: February 1, 2010

### **INFORMATION SECURITY TRAINING**

Corporation, Foundation, ASI, and Student Union personnel with access to protected data were not required to complete information security awareness training.

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.

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 periodic information security awareness training for all employees with access to critical systems or protected data.

The campus information security officer stated that the auxiliaries had implemented some forms of informal employee education regarding information security policies and requirements, although this may not have provided comprehensive coverage of information security risks. He added that instead of focusing on the training program of each auxiliary, resources were instead directed to the *Workplace Answers* module for information security awareness training that was piloted at the campus when made available to selected employees on February 17, 2009.

Failure to provide employees with information security awareness training increases the risk of mismanagement of protected data, which increases auxiliary and campus exposure to security breaches and could compromise compliance with statutory information security requirements.

### Recommendation 3

We recommend that the campus and auxiliaries develop and implement an action plan for providing information security awareness training to all auxiliary employees with access to critical systems or protected data.

### **Campus Response**

We concur. The campus and auxiliaries will ensure that all affected auxiliary employees complete the *Workplace Answers* module for information security awareness.

Expected completion date: February 1, 2010

## **CALIFORNIA STATE UNIVERSITY, NORTHRIDGE, FOUNDATION**

### **OPERATIONAL COMPLIANCE**

The California State University, Northridge, Foundation (Foundation) had not developed a written risk management policy.

EO 715, *California State University Risk Management Policy*, dated October 27, 1999, delegated authority and responsibility to the campus president to implement campus risk management policies consistent with the CSU Risk Management Policy guidelines. This includes an ongoing process to identify risks, analyze the frequency and severity of the potential risks, and select the best management techniques to manage the risks.

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 8.7, *Risk Management*, states that auxiliary organizations should develop programs to manage risk related to activities in which the organizations are engaged.

The Foundation chief financial officer (CFO) stated that since the Foundation did not have any staff or sponsored events, she was unaware of the need for a separate written risk policy.

The absence of a comprehensive risk management policy increases the likelihood that all current risk-related activities may not be adequately evaluated.

#### **Recommendation 4**

We recommend that the Foundation develop and adopt a written risk management policy, including procedures to actively identify, analyze, quantify, and manage risk.

#### **Campus Response**

We concur. After consulting with the Foundation, we prepared a memorandum regarding the Foundation's risk management policy.

### **PROGRAM COMPLIANCE**

The Foundation did not report stipends paid to students to the campus financial aid office.

We found that for the period January 1, 2008, through December 31, 2008, the Foundation paid 101 stipends totaling \$146,545 to students working in academic departments. However, these payments were not reported to the campus financial aid office.

Title 5 §42500(d) states that a record of financial assistance, such as student loans, scholarships, stipends, and grants-in-aid shall be forwarded on a timely basis to the campus financial aid office and shall be documented on student financial aid recipient records in that office.

The Foundation CFO stated her understanding that only scholarships needed to be reported and not the performance-based stipends.

Failure to report student stipends to the campus financial aid office may result in an overpayment of financial aid funds and increases the risk of fines and penalties.

**Recommendation 5**

We recommend that the Foundation report all student stipends to the campus financial aid office.

**Campus Response**

We concur. The Foundation now reports stipends to the financial aid office.

## **THE UNIVERSITY CORPORATION**

### **OPERATING AND ADMINISTRATIVE AGREEMENTS**

Certain business arrangements between The University Corporation (Corporation) and third parties did not include appropriate indemnification clauses or were not supported by fully executed written agreements.

We found that:

- ▶ The indemnification provision in a sublease agreement with an automated teller machine (ATM) service provider did not specifically indemnify the CSU Trustees, the campus, and the State of California.
- ▶ The indemnification provisions in two sublease agreements with third-party food service vendors did not specifically indemnify the State of California.
- ▶ Amendments to add a proper indemnification clause in sublease agreements for another ATM service provider and two other third-party food service vendors were not properly executed. These amendments were initiated and submitted to the service providers in November 2006 as corrective action from the prior Auxiliary Organizations audit, but were never returned signed by the service providers for execution.

EO 849, *California State University Insurance Requirements*, dated February 5, 2003, 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, arriving out of, or in any way connected with the operations of the auxiliary.

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 fully executed written agreements.

The Corporation director of real estate and contracts stated that the absence of appropriate indemnification provisions were generally due to oversight. She added that the amendments to the agreements were sent to the service providers for their signature and execution, but the service providers had not responded and were under no obligation to sign these amendments.

The absence of appropriate indemnification provisions and fully executed agreements subjects the auxiliary and CSU to potential liability and increases the risk of misunderstandings and miscommunication regarding rights and responsibilities.

### **Recommendation 6**

We recommend that the Corporation:

- a. Amend the cited agreements with appropriate indemnification clauses.
- b. Follow-up with the service providers that did not respond to the previously requested amendments.
- c. Implement a process to ensure that all future agreements include an appropriate indemnification provision.

### **Campus Response**

We concur.

- a. We have sent amended agreements to the cited vendors.
- b. We have followed up with the service providers that did not respond previously.
- c. We will implement a process to ensure that all future agreements include an appropriate indemnification provision.

Expected completion date: December 15, 2009

## **CORPORATE GOVERNANCE**

The Corporation had not filed amended Bylaws with the chancellor's office in a timely manner.

We found an amendment to the Bylaws made on December 21, 2006, that had not been filed with the chancellor's office until noted during our review.

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 11.6.1, *Reporting Changes in Articles of Incorporation (or Constitutions) and Bylaws*, states that when an auxiliary organization makes changes to its Articles of Incorporation or Bylaws, a complete amended copy is to be submitted to Financing and Treasury at the Office of the Chancellor within 30 calendar days. The submission should indicate the date the changes were approved by the governing board and/or members.

The Corporation CFO stated that the failure to submit the amended Bylaws to the chancellor's office was due to oversight.

Failure to file amendments to Bylaws in a timely manner increases the risk of misunderstandings and may increase legal liability.

### **Recommendation 7**

We recommend that the Corporation promptly file the cited amendments with the chancellor's office and develop a procedure to ensure that all future changes/amendments to Bylaws are timely filed with the chancellor's office.

### **Campus Response**

We concur. The Corporation forwarded a copy of the December 21, 2006, amended Bylaws to the chancellor's office on April 6, 2009. Administrative Policy number *ADM001 – Reporting Changes to Bylaws* was written and implemented to capture and report this activity.

## **FISCAL COMPLIANCE**

Corporation reimbursements to the campus for indirect costs incurred for sponsored programs, as well as post-award administration fees charged by the Corporation, were not formally agreed upon in a written agreement or memorandum of understanding.

EO 753, *Allocation of Costs to Auxiliary Enterprises*, dated July 28, 2000, requires that an annual written cost allocation plan is prepared to ensure that auxiliary enterprises are charged for allowable direct costs plus an allocable portion of indirect costs associated with facilities, goods, and services provided by the university funded from the operating fund. Cost allocations shall be determined in accordance with a written cost allocation plan approved annually by the campus CFO.

The Corporation CFO stated that this practice has existed for numerous years and that the campus' acceptance of Corporation reimbursement was thought to have served as a cost allocation approval by the campus.

Failure to document the agreed-upon reimbursement of sponsored program indirect costs and offsetting post-award administration fees charged by the auxiliary increases the risk that the campus operating fund is not fully compensated for support provided to auxiliary enterprises.

### **Recommendation 8**

We recommend that the Corporation ensure that reimbursements to the campus for indirect costs incurred for sponsored programs and post-award administration fees charged by the Corporation are formalized into an annual written cost allocation plan approved by the campus CFO or his designee.

### **Campus Response**

We concur. The Corporation worked with campus personnel to formalize a procedure for the allocation of indirect cost recovery funds generated from sponsored programs activities. The procedure detailed the calculation of indirect cost funds to be allocated to the Corporation for post award administration of sponsored programs and defined the remaining balance of indirect cost funds

as available to spend for the campus. A memorandum of understanding signed by the CFO was prepared and issued on July 24, 2009.

## **SEGREGATION OF DUTIES**

Certain duties and responsibilities related to accounts payable processing were not adequately segregated at the Corporation.

We found that two employees:

- ▶ Added vendors to the vendor master list.
- ▶ Reviewed expenditures for supporting documentation and proper authorization.
- ▶ Created journal entries in the subsidiary ledgers.
- ▶ Posted journal entries.

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 8.9.5, *Procurement*, states that the auxiliary should establish a written control system that provides purchase orders and service contracts are prepared separately from receiving and shipping, payables and disbursements, and that identifies unallowable transactions, such as with governing board members.

The Corporation CFO stated that duties related to accounts payable processing were not properly segregated due to oversight.

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

### **Recommendation 9**

We recommend that the Corporation appropriately segregate certain accounts payable processing functions or institute mitigating procedures approved by the campus CFO.

### **Campus Response**

We concur. The staff authorized to add new vendors to the accounts payable vendor master was changed effective May 14, 2009.

## **PURCHASING AND ACCOUNTS PAYABLE**

The Corporation did not require staff to complete a travel request form prior to travel to document approval of travel and related expenditures to be incurred.

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 disburse cash in a consistent manner utilizing systems that ensure integrity of existing controls, with annual management review.

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 requested travel be approved in advance of incurring travel expenditures.

The Corporation CFO stated that management was generally aware of business-related travel plans for staff and had not seen the necessity to formally document approval prior to travel.

Failure to sufficiently document travel approval increases the risk of errors, irregularities, and misappropriation of funds.

### **Recommendation 10**

We recommend that the Corporation implement a process to require completion of travel request forms prior to travel and to ensure that travel requests are properly reviewed and approved.

### **Campus Response**

We concur. The Corporation has adopted the travel policy of the university and the accompanying forms, including the pre-approval of travel for Corporation administrative employees.

## **PROPERTY AND EQUIPMENT**

Administration of Corporation property and equipment required improvement.

We found that:

- ▶ Biennial property and equipment counts were not performed by an independent person, nor were such independent counts required by Corporation procedure.
- ▶ Fixed asset reports were distributed to department managers annually instead of quarterly as required by Corporation procedure.

- ▶ Disposition of property and equipment was not approved in accordance with Corporation procedure. We reviewed five assets with purchase prices between \$16,620 and \$164,816 that were disposed of between March 2007 and January 2008 and found that the disposals were approved by the CFO but lacked approval by the executive director and the Corporation board of directors (when the purchase prices exceeded \$50,000).

The Corporation *Fixed Assets Procedure* states that the director/authorized signer or their designee will take a physical count of all portable tagged fixed assets at least biennially (every two years). The fixed asset report will be distributed quarterly to all respective department managers. A director/authorized signer must approve sales and/or disposition of fixed assets. The sale and/or disposition of a fixed asset with a purchase price of \$10,000 to \$50,000 must be approved by the CFO and executive director. Corporation board of directors' approval is required for the sale and/or disposition of a fixed asset with a purchase price greater than \$50,000.

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 that the auxiliary should establish a written system that ensures physical inspection of property and equipment on a service life schedule.

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 sufficient administration of property and equipment.

The Corporation CFO stated that the failure to perform independent counts and distribute quarterly reports was due to oversight. He added that the failure to appropriately approve the disposal of equipment was a result of utilizing the book value for approval thresholds versus the original purchase price as defined in the procedure.

Insufficient administration of property and equipment increases the risk that property may be lost or stolen, and misrepresented in the financial statements.

### **Recommendation 11**

We recommend that the Corporation:

- a. Require that biennial property and equipment counts be performed by an independent person and revise its procedure to require independent counts.
- b. Distribute fixed asset reports to department managers on a quarterly basis.
- c. Ensure that the disposition of fixed assets is approved in accordance with Corporation procedure.

### **Campus Response**

We concur. The Corporation has updated its procedures in regards to distribution of quarterly fixed asset reports and testing by an independent person. Disposition of assets was also addressed in the updated procedures.

## **TRUSTS AND OTHER LIABILITIES**

State funds were inappropriately maintained within Corporation agency fund accounts.

The Corporation financial statements as of June 30, 2008, indicated that the Corporation administered and maintained agency fund accounts totaling \$5,698,373 for campus programs, departments, colleges, and other groups. Our review disclosed numerous instances in which state funds were being inappropriately held by the Corporation in these accounts.

EO 919, *Policy Governing Non-General Fund Receipts*, dated October 15, 2004, states that each CSU campus shall administer their non-General Fund receipts to ensure that the funds are held in proper accounts. EO 919 also states that, as a matter of CSU policy, auxiliaries may not accept state funds with the intent of administering them as an agent of the university. Payment for services is the only instance where state funds may be accepted into an auxiliary organization's account. Further, the entity that is responsible for any losses that might arise from the event or activity that generated the receipts shall be the entity wherein receipts are held.

Although EO 1000, *Delegation of Fiscal Authority and Responsibility*, dated July 1, 2007, indicates that it supersedes EO 919, the areas noted above are acknowledged by systemwide administrators to still be in effect and will be addressed by the forthcoming Integrated CSU Administrative Manual.

The Corporation CFO stated that the funds held within that custodial trust account were generated by self-operating activities of the Corporation, and therefore, the Corporation had the authority to hold these monies in trust for the campus.

The campus' required oversight of state funds is limited when funds are deposited outside the custody of the CFO.

### **Recommendation 12**

We recommend that the Corporation:

- a. Complete a review of all agency accounts reflected as "deposits held for others" on its financial statements and determine, within 60 days, which accounts contain state funds.
- b. Certify that none of the following specific and similar monies reside in Corporation agency accounts:
  - Gifts to the university, its units and programs.

- Contracts and grants awarded to the university.
  - Pre-award indirect cost recovery reimbursements.
  - Corporation net operating surplus designated for use by the campus.
  - Fees for continuing education courses provided by the university.
  - Fees for university events, workshops, conferences, institutes, special projects, and programs.
  - Reimbursements for services and products provided to auxiliary enterprises and organizations paid from General Fund and/or CSU operating fund monies.
  - Rental fees for university facilities, except those facilities that have been leased to the auxiliary by the campus.
  - Student fees and other general fees pursuant to the CSU student fee policy.
  - Monies held by the Corporation via contract with the campus.
- c. Submit to the Office of the University Auditor, within 60 days, a list of those agency accounts which have been deemed appropriate to remain in the custody of the Corporation and comprehensive documentation to support the sources of funds for those trust accounts.
- d. Move those state funds identified in “a” above to campus accounts within six months.

### **Campus Response**

We concur. Agency accounts to be moved to state trust accounts will be identified by November 30, 2009. The funds will be moved by March 31, 2010.

## **AUXILIARY PROGRAMS**

The Corporation had not performed an independent reconciliation of meal plan payments received against meal plan points added.

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 8.9.1, *Cash*, states that the auxiliary should receive cash in a consistent manner utilizing systems that ensure integrity of existing internal controls, with annual management review.

The Corporation CFO stated that the lack of reconciliation of meal plan payments received against meal plan points added was due to oversight.

Inadequate reconciliation of meal plan payments and points added increases the risk that errors and irregularities will not be detected in a timely manner.

### **Recommendation 13**

We recommend that the Corporation perform an independent documented reconciliation of meal plan payments received against meal plan points added on a periodic basis.

### **Campus Response**

We concur. The Corporation will prepare an independent documented reconciliation of meal plan payments received against dining dollars added to meal plan participant's meal cards.

Expected completion date: March 1, 2010

## **INFORMATION TECHNOLOGY**

Access to the Corporation server room was not adequately controlled, and proper environmental controls were not in place.

We found that:

- ▶ The server room was accessible to 22 Corporation employees, most of whom did not require physical access to the servers stored in this room.
- ▶ The server room was equipped with water sprinklers which are not appropriate for extinguishing fires within a room storing critical servers/systems. Also, the server room was utilized for storage of numerous boxes with flammable contents that were non-essential to the operation of the server room.

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.

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 server room access be limited to personnel requiring physical access to the servers, that appropriate fire equipment be maintained within the premises of server rooms at all times, and that non-essential storage of flammable contents be restricted.

The Corporation CFO stated that the server room was accessible to these 22 employees because the color printer was stored in the server room. He also stated that the Corporation had not considered the need for fire suppression other than water sprinklers and had considered it a low risk to store boxes in the server room.

Failure to limit access to the server room, maintain appropriate fire suppression devices, and restrict the storage of non-essential flammable contents in the server room increases the risk of unsuccessful suppression of a fire and/or damage to critical systems, which may expose employees to dangerous conditions and may result in the loss of critical systems.

**Recommendation 14**

We recommend that the Corporation:

- a. Restrict physical access to the server room to only employees responsible for managing the Corporation servers.
- b. Evaluate the feasibility of another means of fire suppression and remove from storage all non-essential and possibly flammable contents, or consider relocation of Corporation servers to the campus data center.

**Campus Response**

We concur. The two servers (one for ADP and one for Agylisys) will be moved to the campus' data center room before January 31, 2010.

**ASSOCIATED STUDENTS**  
**CALIFORNIA STATE UNIVERSITY, NORTHRIDGE, INC.**

**OPERATING AND ADMINISTRATIVE AGREEMENTS**

Certain written agreements between the Associated Students California State University, Northridge, Inc. (ASI) and another auxiliary or campus departments were not timely, fully executed, or complete; and an electronic log of agreements with renewal dates was not maintained. This is a repeat finding from the prior Auxiliary Organizations audit.

We found that:

- ▶ Five agreements were not fully executed until after performance. Final execution ranged between 92 and 211 days after performance.
- ▶ One agreement did not contain an indemnification clause and failed to list the term of the agreement.
- ▶ As corrective action from the prior auxiliary organizations audit, the ASI elected to electronically log agreements with calendared renewal dates. However, there was no evidence that an electronic log of agreements was ever maintained.

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 executed in a timely manner.

EO 849, *California State University Insurance Requirements*, dated February 5, 2003, 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, arriving out of, or in any way connected with the operations of the auxiliary.

The ASI director of accounting and financial services stated that in a variety of instances, the agreements originated with the service provider and were not provided to the ASI in a timely manner. She further stated that the other instances, including the non-retention of the electronic log of agreements, were due to management oversight.

The absence of complete and current, written agreements increases the risk of misunderstandings and miscommunication regarding rights and responsibilities, while the absence of appropriate indemnification clauses subjects the auxiliary and CSU to potential liability.

### **Recommendation 15**

We recommend that the ASI:

- a. Ensure all future agreements are timely and fully executed and include an appropriate indemnification clause and term.
- b. Establish and maintain an electronic log of agreements with their calendared renewal dates.

### **Campus Response**

We concur. CSUN administration and finance staff will be asked to review our contracts before their execution. An improved log will continue to be kept to include a two-month “alarm” indicating the upcoming deadline for re-execution.

## **CORPORATE GOVERNANCE**

ASI did not consistently have the required number of directors on its governing board.

We found that the fall 2008 and spring 2009 governing board rosters showed eight and seven vacancies, respectively.

The ASI *Bylaws* Article IV §2(B) states that the legislative body governing the corporation shall be the board of directors, and the voting officers shall be the vice president, two representatives from each academic college, two upper division senators, two lower division senators, two graduate division senators, and four at-large student senators.

The ASI general manager stated that although vacancies were noted, standards for participation have been upheld and the processes for filling occasional vacancies are open and deliberate.

Failure to maintain mandated board composition violates statutory requirements and increases the risk that all views will not be adequately represented.

### **Recommendation 16**

We recommend that ASI ensure that appropriate board representation is maintained and retain documentation of its due diligence to fill vacancies.

### **Campus Response**

We concur. The ASI will continue to ensure legally required representation and due diligence in filling vacancies within the limits prescribed by our Constitution, CSU policy, and local and state laws.

## OPERATIONAL COMPLIANCE

### POLICIES AND PROCEDURES

ASI had not developed written policies and procedures to address risk management and record retention.

Specifically, policies and procedures had not been developed to address:

- ▶ The ongoing process of identifying risks, analyzing the frequency and severity of the potential risks, and selecting the best management techniques to manage the risks.
- ▶ Records/information retention and disposition schedules and the identification of record custodians.

EO 715, *California State University Risk Management Policy*, dated October 27, 1999, delegated authority and responsibility to the campus president to implement campus risk management policies consistent with the CSU Risk Management Policy guidelines. This includes an ongoing process to identify risks, analyze the frequency and severity of the potential risks, and select the best management techniques to manage the risks.

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 8.7, *Risk Management*, states that auxiliary organizations should develop programs to manage risk related to activities in which the organizations are engaged.

EO 1031, *California State University Systemwide Records/Information Retention and Disposition Schedules Implementation*, dated February 27, 2008, delegated authority and responsibility to the campus president for ensuring that the appropriate campus department(s) implements the records/information retention and disposition schedules for that department. Each department must formally designate an official campus custodian(s) for each type of record who will be responsible for assuring that the campus is operating in compliance with the California State University records/information retention and disposition schedules, and identifying records/information that may have historic or vital value for the campus.

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 documented policies and procedures be in place for risk management and record retention.

The ASI general manager stated that ASI operated under the assertion that current practices were adequate and that a formal risk management policy had not been considered necessary. The ASI director of accounting and financial services stated that the record retention policy was delayed because ASI was waiting for systemwide record retention guidance.

The absence of a comprehensive risk management policy increases the risk that all current risk-related activities may not be adequately evaluated, while absence of a record retention policy limits operational efficiency and effectiveness and at the same time potentially increases the risk that legal and regulatory requirements for the retention and disposition of vital auxiliary records/information are not met.

### **Recommendation 17**

We recommend that ASI develop and adopt:

- a. A written risk management policy, including procedures to actively identify, analyze, quantify, and manage risk.
- b. A record retention policy that addresses records/information retention and disposition schedules, and identifies record custodians.

### **Campus Response**

We concur. A records retention policy and a risk management policy were approved by our board of directors in fall 2009.

### **CONFLICT OF INTEREST**

ASI human resources had not examined, identified, or tracked roles and responsibilities of job positions that make decisions, which may require filing a statement of economic interest.

CSUN *Conflict of Interest Policy for Auxiliary Organizations* requires each of its auxiliary organizations to adopt a conflict of interest policy and procedure for members of their governing boards and for designated employees. The policy further states that the governing board members are required to complete an annual statement of compliance, and designated employees are those who hold positions requiring the filing of an annual statement of economic interest.

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.

Education Code §89909 states that it is unlawful for any person to utilize any information, not a matter of public record, which is received by him by reason of his membership on the governing board of an auxiliary organization, for personal pecuniary gain, regardless of whether he is or is not a member of the governing board at the time such gain is realized.

The ASI director of accounting and financial services stated her belief that only the general manager was required to file an annual statement of economic interest.

Failure to examine, identify, and track roles and responsibilities that meet the requirement of a designated position and obtain and retain annual statements of economic interest or compliance may

potentially increase the risk that an employee may unknowingly participate in making or attempt to use his/her official position to influence a decision in which he/she knows or has reason to know has a financial interest.

### **Recommendation 18**

We recommend that ASI review employees' roles and responsibilities to identify job positions that make decisions, ensure that employees in these positions are included in a list of designated positions required to complete annual statement of economic interest reporting requirements, and implement a process to ensure that annual reporting is completed.

### **Campus Response**

We concur. The ASI will seek guidance from CSUN human resources (HR) on designating which positions may engender a potential conflict of interest and will require the staff in those positions to complete appropriate disclosure documents. We shall annually calendar confirmation of the completion and submission of those documents by our personnel board, whose minutes will serve as the documentation.

Expected completion date: January 1, 2010

## **CASH RECEIPTS AND HANDLING**

Cash control weaknesses were found at the ASI accounting office and two ASI cashiering areas visited.

During our walkthrough of the accounting office, we found that agency account holders depositing checks that were not made payable to ASI were instructed to manually alter checks prior to deposit.

During our walkthroughs of the ticket and recreation sports offices, we found that:

- ▶ There was no process in place to securely discard/destroy the imaging film used in the ticket office fax machine that contained images of credit card data received, including credit card number, expiration date, and cardholder name.
- ▶ Documentation of individuals with safe access and the date the combination was last changed was not maintained at either the ticket office or the recreation sports office.

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.

The Payment Card Industry (PCI) Data Security Standard (DSS) requires the destruction of hard copy records containing cardholder data via cross-cut shredding, incineration, or pulping when it is no longer needed for business or legal reasons, so that cardholder data cannot be reconstructed.

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 proper security over safe combinations.

The ASI director of accounting and financial services stated that ASI operated under the belief that the current cash-handling procedures were adequate.

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

### **Recommendation 19**

We recommend that ASI:

- a. Clarify and document procedures for handling checks received that are not payable to ASI and communicate the procedures to accounting office staff and agency account holders.
- b. Identify a secure means to destroy fax machine imaging film that may contain protected credit card data at the ticket office, in compliance with PCI standards.
- c. Document and retain a list of individuals with safe access and the date the combination was last changed at the ticket and recreation sports offices.

### **Campus Response**

We concur.

- a. We have created a log for this purpose, called the Misdirected Check Log. It has been put into use in all areas that receive incoming mail that may contain checks as of September 1, 2009. The requirement that all checks be made payable to ASI has been affirmed in all procedures and instructions on depositing funds, and made more prominent on our deposit form, which is available on the ASI website.
- b. The fax machine in the ticket office was replaced as of May 1, 2009, with one that does not have an imaging film.
- c. Each office has updated and retained the list of individuals in that area that have safe access, including the ticket and recreation sports office.

## PURCHASING AND ACCOUNTS PAYABLE

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

We reviewed 48 cash disbursements and found that:

- ▶ In seven instances, ASI did not provide proper supporting documentation for travel-related disbursements. Specifically, these seven disbursements were not adequately supported by receipts or lacked evidence of conference attendance and completed travel worksheets.
- ▶ In two instances, the advisor approving the expenditure request asked for the payment to be made payable in his/her name.
- ▶ One cash advance, totaling \$2,200, was not supported by documentation to substantiate the expenses incurred.
- ▶ Release forms or signed waivers were not obtained from each student traveling by air on ASI funded trips.

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 disburse cash in a consistent manner utilizing systems that ensure integrity of existing internal controls, with annual management review.

*CSUN Purchase Orders/Service Purchase Orders Procedures* state that advances must have the appropriate advance request form filled out and attached to the disbursement.

*CSUN Budget Language §E Travel Policy 2007-2008* states in part that the financial equivalent of up to four individuals will be considered for funding for any conference or gathering for academically related conferences. It further states that release forms, signed waivers must be obtained from each person traveling on an ASI sponsored trip.

EO 590, *California State University Systemwide Student Air Travel Policy*, dated March 26, 1992 and its successor EO 1041, *California State University Student Travel Policy*, dated July 1, 2009 state that all students participating in CSU-affiliated programs which require air travel shall be required to acknowledge that they have been informed of the risks of air travel required by such programs and to sign a statement certifying that they have been informed of and undertake such air travel voluntarily with full knowledge of such risks, and release and hold harmless the state of California, the California State University, the campus affiliated with the program requiring air travel, and each and every officer, agent, and employee of each of them, from any and all claims and causes of action that the student, or any person(s) claiming through the student, may have against any of the above institutions or persons, by reason of any accident, illness, or injuries, death, or other consequences resulting directly or indirectly from or in any manner arising out of, or in connection with, the student being a passenger on a flight.

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 ASI director of accounting and financial services stated that these concerns are, in part, the result of processing oversight and that the ASI policy did not require certain documents (i.e., travel worksheets, evidence of conference attendance) to substantiate travel or expenditures incurred.

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

### **Recommendation 20**

We recommend that ASI:

- a. Reiterate to staff existing cash disbursement policies and procedures regarding sufficient and appropriate supporting documentation and authorization.
- b. Update existing policies and procedures to require the submission of sufficient and appropriate supporting documentation and authorization.

### **Campus Response**

We concur.

- a. We have offered additional training on current policies and procedures to both staff and student organization officers. Our accounts payable technician was involved in training sessions at the annual Recognition conference held this fall. We will continue to offer training and counseling for current and future staff and clients.
- b. We will update our existing policies and procedures to accommodate requirements that will help ensure submission of sufficient and appropriate supporting documentation and authorization.

Expected completion date: February 1, 2010

## PROPERTY AND EQUIPMENT

Administration of ASI property and equipment was deficient.

We found that:

- ▶ ASI could not provide a comprehensive listing of capitalized assets at the start of fieldwork. A comprehensive listing of assets was not provided until the fourth week of fieldwork (on April 21, 2009).
- ▶ Fixed asset purchases recorded in the general ledger accounting system were not reconciled to the asset management system, nor did ASI have any policy or procedure requiring that this reconciliation be completed.
- ▶ The physical inventory files provided from 2006 to 2008 showed that adequate documentation was not maintained to evidence the timely completion of the annual physical count. Specifically, there was no evidence to support when the inventory was initiated, completed, reconciled, and reviewed by management.
- ▶ A detailed review of fiscal year (FY) 2007/08 inventory files showed that differences between physical inventory counts and ASI property records were not promptly resolved and appeared inconclusive. During our review of the inventory files, we noted that 57 property items valued at \$65,466 lacked documentation of final disposition; and 50 items valued at \$62,216 were listed as “write-off” on the sub-ledger but were not actually written off and were instead scheduled for reclassification. In addition, 27 items valued at \$36,873 were listed as “not found,” but the inventory files did not reflect that the assets had been removed from the property listing as of our review.
- ▶ Written policies and procedures had not been developed for current business practices concerning the completion of annual physical inventory counts and reporting lost or stolen property.
- ▶ Three of the 19 assets selected for physical inspection lacked an identification tag and two others were tagged with the wrong tag number. These assets ranged in acquisition cost from \$2,334 to \$22,723. In addition, ASI was unable to locate a camcorder valued at \$2,985.

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 that the auxiliary should reconcile physical inventories to the general ledger on a timely basis with review by management. It further states that the auxiliary should establish a written system that ensures physical inspection of property and equipment on a service life schedule, proper recording of property and equipment when received, and for labeling of equipment.

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 sufficient administration over property and equipment, and documentation of timely preparation and independent review of property reconciliations.

The ASI director of accounting and financial services stated that she was working with the limitations of poorly designed software and external conditions that affected the ability to track the type of assets that ASI controls. She further stated that numerous changes in policy and procedures during the three-year audit period were made in an attempt to better control the inventory, which, eventually, led to problems with timeliness and documentation of the completion of the processes.

Insufficient administration of property and equipment increases the risk that property may be lost or stolen, and misrepresented in the financial statements.

### **Recommendation 21**

We recommend that ASI:

- a. Analyze the capabilities of the current asset management system to ensure it is used in the most efficient manner for inventory management and reporting purposes.
- b. Ensure that physical inventory files are complete, including reconciliation to the general ledger that has been signed and dated by the preparer and reviewer to evidence timely completion and management review.
- c. Promptly resolve differences noted in the FY 2007/08 inventory files and update property records accordingly.
- d. Develop written policies and procedures for current business practices concerning the completion of annual physical inventory counts and reporting lost or stolen property.
- e. Ensure that all equipment is tagged with the correct tag number.
- f. Ensure that all ASI property is accounted for or removed from inventory records.

### **Campus Response**

We concur.

- a. We have spoken with the staff of other auxiliaries to help determine best practices in the use of the current asset management system. We have modified our use of the system by updating the limits for capitalization and tagging assets (as of June 2008).
- b. We have taken steps to ensure proper completion and documentation of inventory.

- c. As of the end of our annual audit in August 2009, the FY 2007/08 inventory files have been reconciled to the property records. Current system files accurately reflect the assets currently held by ASI.
- d. We will research the policies and procedures used by other auxiliaries in the system and adopt those that most closely reflect our operational needs while following best practice guidelines.

Expected completion date: February 1, 2010

- e. The Asset Management system will be appropriately updated to match the physical tag numbers on the assets with the electronic file.

Expected completion date: November 30, 2009

- f. All payable and donation documentation for assets will be matched with the corresponding physical asset to ensure all ASI property is accounted for. For assets needing to be removed from the records, the appropriate form will be completed, approved, and filed.

Expected completion date: February 1, 2010

**UNIVERSITY STUDENT UNION OF  
CALIFORNIA STATE UNIVERSITY, NORTHRIDGE**

**OPERATING AND ADMINISTRATIVE AGREEMENTS**

Certain written agreements between the University Student Union of California State University, Northridge (Student Union) and other third-party vendor service providers did not contain adequate provisions for information security and privacy responsibilities and indemnification.

We found that:

- ▶ Contractual terms to address information security and privacy responsibilities were insufficient for the third-party vendor that provided off-site hosting of the Campwise application and database servers, which contained sensitive medical records. Specifically, the terms stated that “licensor shall have no liability to licensee or any third party for any unauthorized access, dissemination, or use of sensitive medical information that have been uploaded to the databases of the software by licensee and end-users.”
- ▶ The indemnification provisions within the aforementioned agreement and one other agreement did not indemnify the State of California, CSU Trustees, and the campus.

EO 849, *California State University Insurance Requirements*, dated February 5, 2003, 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, arriving out of, or in any way connected with the operations of the auxiliary.

The Student Union associate director of finance and business services stated that the inadequate provisions for information security and privacy responsibilities and indemnification were due to using the other party’s contracts instead of using the Student Union’s standard agreement as required by the Student Union’s purchasing policy and procedure.

The absence of adequate information security and privacy responsibilities and indemnification provisions subjects the auxiliary and CSU to potential liability, increases exposure to security breaches, and could compromise compliance with statutory information security requirements.

**Recommendation 22**

We recommend that the Student Union:

- a. Amend the cited agreements with appropriate provisions for information security and privacy responsibilities and indemnification.

- b. Consider using the CSU General Provisions for Information Technology Acquisitions, which includes references for information security responsibilities (the most recent revision dated July 24, 2006, also includes a Section 42 for the confidentiality of data) for all vendor service agreements relating to access to protected records or data, or update its own standard agreement to include such references.
- c. Consider on-site hosting of systems that contain protected data and ensure that proper encryption technologies are implemented when the data is stored and in-transit.
- d. Ensure that all future agreements include an adequate indemnification provision.

### **Campus Response**

We concur. The Student Union has amended the Campwise agreement with appropriate provisions for information security, privacy responsibilities, and indemnification. The Student Union updated its standard agreement to include the language of Section 42, *Confidentiality Data*, referenced in the CSU General Provisions for Information Technology Acquisitions. Also, the Student Union will ensure that all future agreements include an adequate indemnification provision.

## **CASH RECEIPTS AND HANDLING**

Administration of cash receipts at the Student Union required improvement.

We found that:

- ▶ Pre-printed and pre-numbered receipts were not periodically reconciled to the receipt book (with carbon copies) or to the cash receipts journal by an independent person.
- ▶ Mail receipts logs were not periodically reconciled to the cash receipts journal by an independent person.

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.

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 proper administration of cash receipts.

The Student Union associate director of finance and business services stated that pre-printed and pre-numbered cash receipts and mail receipts logs were reconciled by the cashier of business services but not by a person independent of the cashier.

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

**Recommendation 23**

We recommend that the Student Union:

- a. Periodically perform an independent reconciliation of pre-printed and pre-numbered cash receipts to the receipt book (with carbon copies) and to the cash receipts journal.
- b. Periodically perform an independent reconciliation of mail receipts logs and the cash receipts journal.

**Campus Response**

We concur. Since April 2009, the accounting coordinator, instead of the cashier, has been reconciling monthly mail receipt logs to the cash receipts journal. Since August 2009, the accounting coordinator, instead of the cashier, has been reconciling pre-printed and pre-numbered receipts to the cash receipts journal. The accounting coordinator verifies that the reconciliations have taken place via a monthly memo with the supporting documentation attached. These reconciliations will be completed on a monthly basis.

**PURCHASING AND ACCOUNTS PAYABLE**

**PURCHASE ORDER APPROVAL**

Certain Student Union purchase orders were not processed in a timely manner and in accordance with the Student Union purchasing policy.

We reviewed 40 cash disbursements and found that:

- ▶ In two instances, purchase orders were issued 5 days and 30 days after a service or an event, and in one of the instances, a service agreement was signed ten days after an event.
- ▶ In three other instances, purchase order requisitions were submitted 30 to 50 days after an agreement or a contract was executed

The Student Union *Purchasing Policy* states that a standard service agreement must be signed by the executive director and then turned into business services for processing with a purchase order requisition. Business services should receive all agreements ten working days prior to the expected commencement date of the services.

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 disburse cash in a consistent manner utilizing systems that ensure integrity of existing controls.

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 purchase orders be timely processed.

The Student Union associate director of finance and business services stated that these conditions were due to oversight.

Untimely processing of purchase orders increases the risk of errors, irregularities, and misappropriation of funds.

#### **Recommendation 24**

We recommend that the Student Union reiterate to staff the existing purchasing policy regarding timely preparation and submission of purchasing documentation.

#### **Campus Response**

We concur. The associate director, finance and business services reiterated to staff at an all staff meeting on September 22, 2009, the existing purchasing policy regarding timely preparation and submission of purchasing documentation.

### **SUPPORTING DOCUMENTATION**

The Student Union did not consistently require sufficient supporting documentation for the settlement of employee travel expense claims when attending conferences.

We reviewed six travel expense claims and found that two expense claims did not include conference agendas to support advances of meal per diems, and one of these two expense claims included breakfast per diems when breakfast was included in the conference registration fee.

The Student Union *Travel Procedures* state that the daily meal reimbursement rate will be reduced if meals are included in the registration of a conference or seminar.

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 disburse cash in a consistent manner utilizing systems that ensure integrity of existing controls.

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 sufficient supporting documentation for travel expenses.

The Student Union associate director of finance and business services stated that these conditions were due to oversight.

Lack of sufficient and appropriate supporting documentation for the settlement of travel expense claims increases the risk of errors, irregularities, and misappropriation of funds.

### **Recommendation 25**

We recommend that the Student Union:

- a. Require sufficient supporting documentation for the settlement of employee travel expense claims when attending conferences.
- b. Reiterate to staff existing travel procedures regarding daily meal reimbursement when meals are included in the conference registration fee.

### **Campus Response**

We concur. Since May 2009, the Student Union has required that conference agendas be attached to employee expense claim forms to support advances of meal per diems and to ensure that meal per diems are not issued when the cost of the meal is included in the conference or seminar fee. Also, in September 2009, the Student Union added the requirement that conference agendas be attached to employee expense claim forms to the travel policy and procedure.

## **INFORMATION TECHNOLOGY**

Unique user account IDs were not always used for login to Student Union systems to localize transaction accountability to specific employees.

We found that:

- Unique user accounts were not utilized for two users of the ADP system within HR, as these users shared one general HR account.
- Unique user accounts were not utilized for two users of the Campwise system, as these users shared one general administrator account.

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.

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 use of unique user accounts for all systems access.

The Student Union technology support services manager stated that he was unaware of these shared user accounts.

Failure to properly localize user accountability for transactions and access to systems increases the risk of uncertainty for transactional errors and increases the risk of inappropriate access.

**Recommendation 26**

We recommend that the Student Union assign unique user account IDs to all users accessing and recording transactions in Student Union systems.

**Campus Response**

We concur. Unique user ID's were issued to ADP and Campwise users in April 2009 during the course of the audit.

## **NORTH CAMPUS – UNIVERSITY PARK DEVELOPMENT CORPORATION**

### **OPERATING AND ADMINISTRATIVE AGREEMENTS**

The operating agreement between the North Campus – University Park Development Corporation (North Campus) and the CSU Trustees expired on June 30, 2006, and had not been renewed.

Title 5 §42501 indicates that a written operating 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 functions listed in §42500.

The Corporation CFO stated that the operating agreement had not been renewed due to oversight.

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

#### **Recommendation 27**

We recommend that the North Campus promptly renew its operating agreement with the CSU Trustees and implement a process to ensure that future agreements are timely renewed.

#### **Campus Response**

We concur. The operating agreement between North Campus and the CSU Trustees was executed on October 1, 2009. The Contract Due Dates Log has been updated to include agreements with North Campus.

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## **APPENDIX A: PERSONNEL CONTACTED**

<u>Name</u>	<u>Title</u>
<b>CAMPUS</b>	
Jolene Koester	President
Jessica Ash	Business Analyst
Robert Barker	University Controller and Associate Vice President, Financial and Accounting Services
Eugene Garcia	Systems Analyst, Systems and Technology
Allen Le	Auxiliary Financial Support Coordinator
Howard Lutwak	Director, Internal Audit
Tracy Lynch	Systems Analyst, Systems and Technology
Tom McCarron	Vice President, Administration and Finance and Chief Financial Officer
Christian Olsen	Information Security Officer
Vance Peterson	Vice President, University Advancement
Geetha Thomas	Assistant Vice President, Resource Management

### **CALIFORNIA STATE UNIVERSITY, NORTHRIDGE, FOUNDATION**

Arpie Aroian	Gift Processor
Darlene Goldberger	Accounts Payable Technician
Aline Koseyan	Accountant
Judy Landy	Foundation Secretary
Vance Peterson	Executive Director
Ali Sadri	Manager, Advancement Resources
Aracely Salas	Accounts Receivable Technician
Geetha Thomas	Chief Financial Officer
Criss Wall	Gift Processing Coordinator

### **THE UNIVERSITY CORPORATION**

Elmer Bautista	Food Service Supervisor
Judy Berger	Senior Sponsored Programs Administrator
Teresa Bott	Assistant Food Services Supervisor
Heather Cairns	Administrative Services Manager
Betsy Corrigan	Associate Director, Foodservices
Jane DeLorenzis	Director, Real Estate and Contracts
Grace delosSantos	Accounting Technician
Rick Evans	Executive Director
John Griffin	Chief Financial Officer
Georg Jahn	Director, Sponsored Programs
Pat Jolley	Meal Plan Administrator
Tim Killops	Facilities and Systems Manager
Elizabeth Kioussis	Executive Assistant
Teresa Loren	Associate Director, Accounting

**THE UNIVERSITY CORPORATION (CONT.)**

Pablo Mapile	Lead, Cash Room
Nasir Monem	Accounting Technician
Geri Nann	Accountant
Dave Nirenberg	Director, Commercial Services
Joann Spruill	Payroll Coordinator

**ASSOCIATED STUDENTS CALIFORNIA STATE UNIVERSITY, NORTHRIDGE, INC.**

David Crandall	General Manager
Steven De Luca	Coordinator of Technology Support
Ken Etter	Manager, Support Services
Diane Hartjen	Director, Accounting and Financial Services
Jessica Kemmerer	Accounts Payable Technician
Danisha Lawrence	Human Resources Coordinator
Michelle Messiha	Assistant Director, Associated Students Recreation Sports
Yvonne Monreal	Payroll Specialist
Trent Morgan	Recreation Sports Director
Christina O'Dell	Director, Children's Center
Robert Richards	Financial Analyst

**UNIVERSITY STUDENT UNION OF  
CALIFORNIA STATE UNIVERSITY, NORTHRIDGE**

Tamika Braud	Accounts Receivable Technician
Lusine Dayan	Accounting Coordinator
Alexander Gonzales	Technology Support Services Manager
Jeremy Hamlett	Commercial Services Manager
Debra Hammond	Executive Director
Joe Illuminate	Associate Director, Finance and Business Services
Anita Kapil	Accounting Coordinator
Lee Ligons	Student Assistant
Matthew Marquez	Cashier
Jonathan Navarro	Accounting Supervisor
Jessica Olivares	Accounts Payable Technician
Cecilia Ortiz	Meeting Services Manager
Kristen Pichler	Human Resources Officer
Gurjit Walia	Payroll Technician

**NORTH CAMPUS - UNIVERSITY PARK DEVELOPMENT CORPORATION**

Jane DeLorenzis	Director, Real Estate and Contracts
Rick Evans	Executive Director
John Griffin	Chief Financial Officer
Teresa Loren	Associate Director, Accounting
Geri Nann	Accountant

## **STATEMENT OF INTERNAL CONTROLS**

### **A. INTRODUCTION**

Internal accounting and related operational controls established by the State of California, the California State University 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**

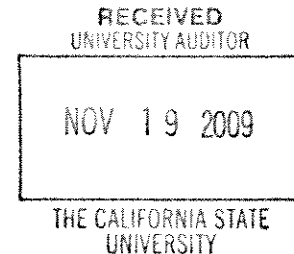
There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting and related operational control. In the performance of most control procedures, errors can result from misunderstanding of instruction, mistakes of judgment, carelessness, 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  
**Northridge**

Office of the Vice President  
Administration and Finance

November 17, 2009

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



Subject: Campus Response to Recommendations of Audit Report Number 09-14,  
*Auxiliary Organizations* at California State University, Northridge

Dear Larry:

Enclosed please find the California State University, Northridge (CSUN) response to the recommendations of the audit, as requested in your e-mail of October 19, 2009.

We have read the report including the observations and recommendations, and agree with them. Corrective action to implement all of the recommendations has been taken. By separate correspondence, the applicable documents evidencing completion of our implementation process and corrective action for each recommendation will be provided.

Should there be questions regarding the contents of the response, they may be addressed to Howard Lutwak, CSUN Internal Audit Director at (818) 677-2333.

We appreciate the recommendations to improve CSUN's systems of internal control.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom McCarron". The signature is fluid and cursive, with a long horizontal stroke at the end.

Tom McCarron, Vice President Administration and Finance/Chief Financial Officer

TM:mh

Enclosures

cc: Jolene Koester, President  
Howard Lutwak, Director, Internal Audit

**AUXILIARY ORGANIZATIONS**  
**CALIFORNIA STATE UNIVERSITY,**  
**NORTHRIDGE**

**Audit Report 09-14**

**CAMPUS**

**INFORMATION TECHNOLOGY**

**PASSWORD AND DATA SECURITY**

**Recommendation 1**

We recommend that the campus and auxiliaries:

- a. Reassess security requirements and set effective password security controls for all auxiliary computer systems with protected data.
- b. Apply encryption controls to all auxiliary computers, databases, and file servers that house protected or sensitive data.

**Campus Response**

We concur.

- a. The campus and auxiliaries will reassess security requirements and set effective password security controls for all auxiliary computer systems with protected data. Expected completion date: February 1, 2010.
- b. The campus and auxiliaries will apply encryption controls to all auxiliary computers, databases, and file servers that house protected or sensitive data. Expected completion date: February 1, 2010.

## **USER ACCESS REVIEWS**

### **Recommendation 2**

We recommend that all auxiliaries conduct periodic, documented management reviews of user access for all systems containing protected data, at least annually.

### **Campus Response**

We concur. All auxiliaries will conduct periodic, documented management reviews of user access for all systems containing protected data, at least annually. Expected completion date, February 1, 2010.

## **INFORMATION SECURITY TRAINING**

### **Recommendation 3**

We recommend that the campus and auxiliaries develop and implement an action plan for providing information security awareness training to all auxiliary employees with access to critical systems or protected data.

### **Campus Response**

We concur. The campus and auxiliaries will ensure that all affected auxiliary employees complete the *Workplace Answers* module for information security awareness. Expected completion date: February 1, 2010.

## **CALIFORNIA STATE UNIVERSITY, NORTHRIDGE, FOUNDATION**

### **OPERATIONAL COMPLIANCE**

The California State University, Northridge, Foundation (Foundation) had not developed a written risk management policy.

EO 715, *California State University Risk Management Policy*, dated October 27, 1999, delegated authority and responsibility to the campus president to implement campus risk management policies consistent with the CSU Risk Management Policy guidelines. This includes an ongoing process to identify risks, analyze the frequency and severity of the potential risks, and select the best management techniques to manage the risks.

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 8.7, *Risk Management*, states that auxiliary organizations should develop programs to manage risk related to activities in which the organizations are engaged.

The Foundation chief financial officer (CFO) stated that since the Foundation did not have any staff or sponsored events, she was unaware of the need for a separate written risk policy.

The absence of a comprehensive risk management policy increases the likelihood that all current risk-related activities may not be adequately evaluated.

#### **Recommendation 4**

We recommend that the Foundation develop and adopt a written risk management policy, including procedures to actively identify, analyze, quantify, and manage risk.

#### **Campus Response**

We concur. After consulting with the CSU Foundation, we prepared a memorandum regarding the Foundation's risk management policy.

### **PROGRAM COMPLIANCE**

#### **Recommendation 5**

We recommend that the Foundation report all student stipends to the campus financial aid office.

#### **Campus Response**

We concur. The Foundation now reports stipends to the financial aid office.

**THE UNIVERSITY CORPORATION**

**OPERATING AND ADMINISTRATIVE AGREEMENTS**

**Recommendation 6**

We recommend that the Corporation:

- a. Amend the cited agreements with appropriate indemnification clauses.
- b. Follow-up with the service providers that did not respond to the previously requested amendments.
- c. Implement a process to ensure that all future agreements include an appropriate indemnification provision.

**Campus Response**

We concur.

- a. We have sent amended agreements to the cited vendors.
- b. We have followed-up with the service providers that did not respond previously.
- c. We will implement a process to ensure that all future agreements include an appropriate indemnification provision. Expected completion date: December 15, 2009.

**CORPORATE GOVERNANCE**

**Recommendation 7**

We recommend that the Corporation promptly file the cited amendments with the chancellor's office and develop a procedure to ensure that all future changes/amendments to Bylaws are timely filed with the chancellor's office.

**Campus Response**

We concur. The University Corporation forwarded a copy of the December 21, 2006 amended Bylaws to the Chancellor's Office on April 6, 2009. Administrative Policy number *ADM001 – Reporting Changes to Bylaws* was written and implemented to capture and report this activity.

## FISCAL COMPLIANCE

### Recommendation 8

We recommend that the Corporation ensure that reimbursements to the campus for indirect costs incurred for sponsored programs and post-award administration fees charged by the Corporation are formalized into an annual written cost allocation plan approved by the campus CFO or his designee.

### Campus Response

We concur. The Corporation worked with campus personnel to formalize a procedure for the allocation of indirect cost recovery funds generated from sponsored programs activities. The procedure detailed the calculation of IDC funds to be allocated to TUC for post award administration of sponsored programs and defined the remaining balance of IDC funds as available to spend for the campus. A Memorandum of Understanding signed by the CFO was prepared and issued on July 24, 2009.

## SEGREGATION OF DUTIES

### Recommendation 9

We recommend that the Corporation appropriately segregate certain accounts payable processing functions or institute mitigating procedures approved by the campus CFO.

### Campus Response

We concur. The staff authorized to add new vendors to the accounts payable vendor master was changed effective May 14, 2009.

## PURCHASING AND ACCOUNTS PAYABLE

### Recommendation 10

We recommend that the Corporation implement a process to require completion of travel request forms prior to travel and to ensure that travel requests are properly reviewed and approved.

### Campus Response

We concur. The University Corporation has adopted the travel policy of the University and the accompanying forms, including the pre-approval of travel for Corporation administrative employees.

## PROPERTY AND EQUIPMENT

### Recommendation 11

We recommend that the Corporation:

- a. Require that biennial property and equipment counts be performed by an independent person and revise its procedure to require independent counts.
- b. Distribute fixed asset reports to department managers on a quarterly basis.
- c. Ensure that the disposition of fixed assets is approved in accordance with Corporation procedure.

### Campus Response

We concur. The Corporation has updated its procedures in regards to distribution of quarterly fixed asset reports and testing by an independent person. Disposition of assets was also addressed in the updated procedures.

## TRUSTS AND OTHER LIABILITIES

### Recommendation 12

We recommend that the Corporation:

- a. Complete a review of all agency accounts reflected as “deposits held for others” on its financial statements and determine, within 60 days, which accounts contain state funds.
- b. Certify that none of the following specific and similar monies reside in Corporation agency accounts:
  - Gifts to the university, its units and programs.
  - Contracts and grants awarded to the university.
  - Pre-award indirect cost recovery reimbursements.
  - Corporation net operating surplus designated for use by the campus.
  - Fees for continuing education courses provided by the university.
  - Fees for university events, workshops, conferences, institutes, special projects, and programs.
  - Reimbursements for services and products provided to auxiliary enterprises and organizations paid from General Fund and/or CSU operating fund monies.
  - Rental fees for university facilities, except those facilities that have been leased to the auxiliary by the campus.
  - Student fees and other general fees pursuant to the CSU student fee policy.
  - Monies held by the Corporation via contract with the campus.
- c. Submit to the Office of the University Auditor, within 60 days, a list of those agency accounts which have been deemed appropriate to remain in the custody of the Corporation and comprehensive documentation to support the sources of funds for those trust accounts.

- d. Move those state funds identified in “a” above to campus accounts within six months.

**Campus Response**

We concur. Agency accounts to be moved to state trust accounts will be identified by November 30, 2009. The funds will be moved by March 31, 2010.

**AUXILIARY PROGRAMS**

**Recommendation 13**

We recommend that the Corporation perform an independent documented reconciliation of meal plan payments received against meal plan points added on a periodic basis.

**Campus Response**

We concur. The Corporation will prepare an independent documented reconciliation of meal plan payments received against dining dollars added to meal plan participant’s meal cards. Expected completion date: March 1, 2010.

**INFORMATION TECHNOLOGY**

**Recommendation 14**

We recommend that the Corporation:

- a. Restrict physical access to the server room to only employees responsible for managing the Corporation servers.
- b. Evaluate the feasibility of another means of fire suppression and remove from storage all non-essential and possibly flammable contents, or consider relocation of Corporation servers to the campus data center.

**Campus Response**

We concur. The two servers (one for ADP and one for Agylisys) will be moved to the campus’ data center room before 1/31/2010.

**ASSOCIATED STUDENTS**  
**CALIFORNIA STATE UNIVERSITY, NORTHRIDGE, INC.**

**OPERATING AND ADMINISTRATIVE AGREEMENTS**

**Recommendation 15**

We recommend that the ASI:

- a. Ensure all future agreements are timely and fully executed and include an appropriate indemnification clause and term.
- b. Establish and maintain an electronic log of agreements with their calendared renewal dates.

**Campus Response**

We concur. CSUN Administration and Finance staff will be asked to review our contracts before their execution. An improved log will continue to be kept to include a two-month “alarm” indicating the upcoming deadline for re-execution.

**CORPORATE GOVERNANCE**

**Recommendation 16**

We recommend that ASI ensure that appropriate board representation is maintained and retain documentation of its due diligence to fill vacancies.

**Campus Response**

We concur. The AS will continue to ensure legally required representation and due diligence in filling vacancies within the limits prescribed by our Constitution, CSU policy and local and state laws.

**OPERATIONAL COMPLIANCE**

**POLICIES AND PROCEDURES**

**Recommendation 17**

We recommend that ASI develop and adopt:

- a. A written risk management policy, including procedures to actively identify, analyze, quantify, and manage risk.
- b. A record retention policy that addresses records/information retention and disposition schedules, and identifies record custodians.

**Campus Response**

We concur. A records retention policy and a risk management policy were approved by our Board of Directors in fall 2009.

**CONFLICT OF INTEREST****Recommendation 18**

We recommend that ASI review employees' roles and responsibilities to identify job positions that make decisions, ensure that employees in these positions are included in a list of designated positions required to complete annual statement of economic interest reporting requirements, and implement a process to ensure that annual reporting is completed.

**Campus Response**

We concur. The AS will seek guidance from CSUN HR on designating which positions may engender a potential conflict of interest and will require the staff in those positions to complete appropriate disclosure documents. We shall annually calendar confirmation of the completion and submission of those documents by our Personnel Board, whose minutes will serve as the documentation. Expected completion date: January 1, 2010.

**CASH RECEIPTS AND HANDLING****Recommendation 19**

We recommend that ASI:

- a. Clarify and document procedures for handling checks received that are not payable to ASI and communicate the procedures to accounting office staff and agency account holders.
- b. Identify a secure means to destroy fax machine imaging film that may contain protected credit card data at the ticket office, in compliance with PCI standards.
- c. Document and retain a list of individuals with safe access and the date the combination was last changed at the ticket and recreation sports offices.

**Campus Response**

We concur:

- a. We have created a log for this purpose, called the Misdirected Check log. It has been put into use in all areas that receive incoming mail that may contain checks as of September 1, 2009. The requirement that all checks be made payable to Associated Students has been affirmed in all procedures and instructions on depositing funds, and made more prominent on our deposit form, which is available on the Associated Students website.

- b. The fax machine in the Ticket office was replaced as of May 1, 2009 with one that does not have an imaging film.
- c. Each office has updated and retained the list of individuals in that area that have safe access, including the ticket and recreation sports office.

## **PURCHASING AND ACCOUNTS PAYABLE**

### **Recommendation 20**

We recommend that ASI:

- a. Reiterate to staff existing cash disbursement policies and procedures regarding sufficient and appropriate supporting documentation and authorization.
- b. Update existing policies and procedures to require the submission of sufficient and appropriate supporting documentation and authorization.

### **Campus Response**

We concur:

- a. We have offered additional training on current policies and procedures to both staff and student organization officers. Our A/P technician was involved in training sessions at the annual Recognition conference held this fall. We will continue to offer training and counseling for current and future staff and clients.
- b. We will update our existing policies and procedures to accommodate requirements that will help ensure submission of sufficient and appropriate supporting documentation and authorization. Expected completion date: February 1, 2010.

## **PROPERTY AND EQUIPMENT**

### **Recommendation 21**

We recommend that ASI:

- a. Analyze the capabilities of the current asset management system to ensure it is used in the most efficient manner for inventory management and reporting purposes.
- b. Ensure that physical inventory files are complete, including reconciliation to the general ledger that has been signed and dated by the preparer and reviewer to evidence timely completion and management review.
- c. Promptly resolve differences noted in the FY 2007/08 inventory files and update property records accordingly.

- d. Develop written policies and procedures for current business practices concerning the completion of annual physical inventory counts and reporting lost or stolen property.
- e. Ensure that all equipment is tagged with the correct tag number.
- f. Ensure that all ASI property is accounted for or removed from inventory records.

### **Campus Response**

We concur:

- a. We have spoken with the staff of other auxiliaries to help determine best practices in the use of the current asset management system. We have modified our use of the system by updating the limits for capitalization and tagging assets (as of June 2008).
- b. We have taken steps to ensure proper completion and documentation of inventory.
- c. As of the end of our annual audit in August 2009, the FY 2007/08 inventory files have been reconciled to the property records. Current system files accurately reflect the assets currently held by Associated Students.
- d. We will research the policies and procedures used by other auxiliaries in the system and adopt those that most closely reflect our operational needs while following best practice guidelines. Expected completion date: February 1, 2010.
- e. The Asset Management system will be appropriately updated to match the physical tag numbers on the assets with the electronic file. Expected completion date: November 30, 2009.
- f. All payable and donation documentation for assets will be matched with the corresponding physical asset to ensure all ASI property is accounted for. For assets needing to be removed from the records, the appropriate form will be completed, approved, and filed. Expected completion date: February 1, 2010

**UNIVERSITY STUDENT UNION OF  
CALIFORNIA STATE UNIVERSITY, NORTHRIDGE**

**OPERATING AND ADMINISTRATIVE AGREEMENTS**

**Recommendation 22**

We recommend that the Student Union:

- a. Amend the cited agreements with appropriate provisions for information security and privacy responsibilities and indemnification.
- b. Consider using the CSU General Provisions for Information Technology Acquisitions, which includes references for information security responsibilities (the most recent revision dated July 24, 2006, also includes a Section 42 for the confidentiality of data) for all vendor service agreements relating to access to protected records or data, or update its own standard agreement to include such references.
- c. Consider on-site hosting of systems that contain protected data and ensure that proper encryption technologies are implemented when the data is stored and in-transit.
- d. Ensure that all future agreements include an adequate indemnification provision.

**Campus Response**

We concur. The USU has amended the Campwise agreement with appropriate provisions for information security, privacy responsibilities, and indemnification. The USU updated its standard agreement to include the language of Section 42 Confidentiality Data referenced in the CSU General Provisions for Information Technology Acquisitions. Also, the USU will ensure that all future agreements include an adequate indemnification provision.

**CASH RECEIPTS AND HANDLING**

**Recommendation 23**

We recommend that the Student Union:

- a. Periodically perform an independent reconciliation of pre-printed and pre-numbered cash receipts to the receipt book (with carbon copies) and to the cash receipts journal.
- b. Periodically perform an independent reconciliation of mail receipts logs and the cash receipts journal.

**Campus Response**

We concur. Since April 2009, the accounting coordinator, instead of the cashier, has been reconciling monthly mail receipt logs to the cash receipts journal. Since August 2009, the accounting coordinator,

instead of the cashier, has been reconciling pre-printed and pre-numbered receipts to the cash receipts journal. The accounting coordinator verifies that the reconciliations have taken place via a monthly memo with the supporting documentation attached. These reconciliations will be completed on a monthly basis.

## **PURCHASING AND ACCOUNTS PAYABLE**

### **PURCHASE ORDER APPROVAL**

#### **Recommendation 24**

We recommend that the Student Union reiterate to staff the existing purchasing policy regarding timely preparation and submission of purchasing documentation.

#### **Campus Response**

We concur. The Associate Director, Finance & Business Services reiterated to staff at an all staff meeting on September 22, 2009 the existing purchasing policy regarding timely preparation and submission of purchasing documentation.

### **SUPPORTING DOCUMENTATION**

#### **Recommendation 25**

We recommend that the Student Union:

- a. Require sufficient supporting documentation for the settlement of employee travel expense claims when attending conferences.
- b. Reiterate to staff existing travel procedures regarding daily meal reimbursement when meals are included in the conference registration fee.

#### **Campus Response**

We concur. Since May 2009, the USU has required that conference agendas be attached to employee expense claim forms to support advances of meal per diems and to ensure that meal per diems are not issued when the cost of the meal is included in the conference or seminar fee. Also, in September 2009, the USU added the requirement that conference agendas be attached to employee expense claim forms to the travel policy & procedure.

## **INFORMATION TECHNOLOGY**

#### **Recommendation 26**

We recommend that the Student Union assign unique user account IDs to all users accessing and recording transactions in Student Union systems.

**Campus Response**

We concur. Unique user ID's were issued to ADP and Campwise users in April 2009 during the course of the audit.

**NORTH CAMPUS – UNIVERSITY PARK DEVELOPMENT CORPORATION**

**OPERATING AND ADMINISTRATIVE AGREEMENTS**

**Recommendation 27**

We recommend that the North Campus promptly renew its operating agreement with the CSU Trustees and implement a process to ensure that future agreements are timely renewed.

**Campus Response**

We concur. The operating agreement between North Campus – University Park Development Corporation (North Campus) and the CSU Trustees was executed on October 1, 2009. The “Contract Due Dates Log” has been updated to include agreements with North Campus.

THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR

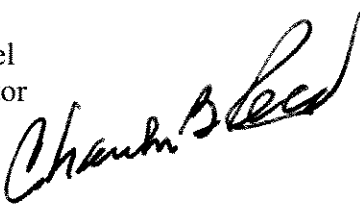


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- SAN LUIS OBISPO
- SAN MARCOS
- SONOMA
- STANISLAUS

December 11, 2009

**MEMORANDUM**

TO: Mr. Larry Mandel  
University Auditor

FROM: Charles B. Reed   
Chancellor

SUBJECT: Draft Final Report 09-14 on *Auxiliary Organizations*,  
California State University, Northridge

In response to your memorandum of December 11, 2009, I accept the response as submitted with the draft final report on *Auxiliary Organizations*, California State University, Northridge.

CBR/amd