

AUXILIARY ORGANIZATIONS
CALIFORNIA STATE UNIVERSITY,
SAN MARCOS

Audit Report 10-04
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ABBREVIATIONS

AORMA	Auxiliary Organization Risk Management Authority
AS	Associated Students of California State University, San Marcos
CFO	Chief Financial Officer
Corporation	San Marcos University Corporation
CSU	California State University
CSURMA	California State University Risk Management Authority
CSUSM	California State University, San Marcos
EO	Executive Order
Foundation	California State University San Marcos Foundation
NIH	National Institutes of Health
RFIN	Resolution of the Committee on Finance
UARSC	University Auxiliary and Research Services Corporation

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, San Marcos (CSUSM) 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 CSUSM campus and its auxiliary organizations from June 7, 2010, through July 15, 2010, and made a study and evaluation of the system of internal compliance/internal control in effect as of July 15, 2010. This report represents our triennial review.

Our study and evaluation at *San Marcos University Corporation* 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 operating and administrative agreements. These conditions, along with other 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 July 15, 2010, taken as a whole, was sufficient to meet the objectives stated above.

Our study and evaluation at *University Auxiliary and Research Services Corporation* 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 operational compliance and cash receipts and handling. These conditions, along with other 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 July 15, 2010, taken as a whole, was sufficient to meet the objectives stated above.

Our study and evaluation at *Associated Students of California State University, San Marcos* 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 July 15, 2010, 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.

SAN MARCOS UNIVERSITY CORPORATION

OPERATING AND ADMINISTRATIVE AGREEMENTS [9]

Certain business arrangements between the San Marcos University Corporation (Corporation) and third parties did not include appropriate indemnification clauses. In addition, the Corporation performed a function not authorized by its operating agreement with the California State University Trustees, specifically the operation of the Center for Children and Families, an instructionally related program/activity.

PURCHASING AND ACCOUNTS PAYABLE [10]

The Corporation had not developed written policies and procedures for the review of purchasing activities of a property management firm and did not provide adequate oversight over expense reimbursements. This is a repeat finding from the prior Auxiliary Organizations audit.

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION

OPERATIONAL COMPLIANCE [13]

University Auxiliary and Research Services Corporation (UARSC) had not developed written policies and procedures to address bookstore procurement practices. Further, UARSC did not establish an annual

budget for bookstore inventory shrinkage, which prevented a comparison of actual results and the identification and analysis of significant differences.

SEGREGATION OF DUTIES [14]

Duties and responsibilities related to endowment investment account unitization were not appropriately segregated at UARSC. This a repeat finding from the prior Auxiliary Organizations audit.

CASH RECEIPTS AND HANDLING [15]

Cashiers' daily cash receipts at UARSC dining operations were not verified by a supervisor or independent person prior to their transfer to the food services office for deposit. In addition, administration of manual receipts for UARSC bookstore off-site events did not ensure adequate accountability over cash receipts.

PETTY CASH AND CHANGE FUNDS [17]

UARSC did not conduct independent cash counts of all petty cash funds.

FEES, REVENUES, AND RECEIVABLES [18]

UARSC bookstore inventory transferred to off-site events was not adequately controlled, as merchandise was not adequately accounted for, and merchandise sales were not always reconciled to cash receipts or to the revenues recorded in the general ledger.

TRUSTS AND OTHER LIABILITIES [19]

Certain campus program revenues were inappropriately deposited to, and held in custody by, UARSC.

AUXILIARY PROGRAMS [20]

Administration of federally sponsored projects at UARSC did not provide for debarment and suspension certification by principal investigators and other key personnel.

ASSOCIATED STUDENTS OF CALIFORNIA STATE UNIVERSITY, SAN MARCOS

CASH RECEIPTS AND HANDLING [22]

Administration of cash receipts at the Associated Students of California State University, San Marcos business office did not ensure timely endorsement and deposit of checks.

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.

San Marcos University Corporation

San Marcos University Corporation (Corporation) was established in 2001 as a non-profit public benefit corporation for the purpose of developing, providing, and maintaining affordable housing and other related facilities and activities for the use and convenience of faculty, staff, and students of California State University, San Marcos (CSUSM). The Corporation owns the Center for Children and Families and the University Village Apartments but contracts with third-party administrators for their operation and management. The Corporation is governed by a board of directors comprised of representatives from the

university and auxiliary administration, faculty, student body and community. The Corporation does not have employees and relies on the University Auxiliary and Research Services Corporation (UARSC) for accounting and administrative support services.

California State University San Marcos Foundation

The California State University San Marcos Foundation (Foundation) was established in February 2009 as a non-profit public benefit corporation and the new philanthropic auxiliary primarily responsible for the development, use, and management of non-state-funded resources, including endowment and scholarship funds. Because the Foundation is the new philanthropic auxiliary, specific donor-funded assets previously held by UARSC were transferred to the Foundation in July 2010 for administration beginning in fiscal year 2010/11. The Foundation now oversees all program and scholarship endowments and non-endowed scholarships and partners with public and private organizations to generate resources that help promote student success. The Foundation does not have employees and relies on UARSC and campus personnel for accounting and administrative support services. The Foundation had not assumed responsibility for the administration of gifts and endowments within the scope of the audit; therefore, a very limited review of Foundation operations was performed. Consequently, we did not form an opinion on the sufficiency of accounting and administrative control.

University Auxiliary and Research Services Corporation

UARSC was established in 1990 as a non-profit public benefit corporation under the name California State University, San Marcos Foundation but was officially reincorporated and renamed UARSC in April 2009. UARSC operates the Big Cat Food Court, Cougar Corner Convenience Store, Starbucks, the bookstore, and campus vending; it also manages the campus catering program. UARSC administers sponsored programs as well, including pre- and post- activities, and provides accounting and business administration services to programs and activities managed by UARSC, as well as to the other campus auxiliary organizations. Specific donor-funded assets previously held by UARSC, including endowment and scholarship funds, were transferred to the newly created Foundation in July 2010. UARSC is governed by a board of directors comprised of representatives from the university administration, faculty, student body and community.

Associated Students of California State University, San Marcos

Associated Students of California State University, San Marcos (AS) was established in 1994 as a non-profit public benefit corporation responsible for: providing a means for participation in student government and an official voice through which students' opinions may be expressed; assisting in the protection of the rights and interests of the individual student and student body; delivering services and programs to meet the needs of the student and campus community; and stimulating the educational, social, physical, and cultural well-being of the CSUSM community. AS operates the ASI Business Center, Campus Activities Board, Pride Center, and Women's Center; it also provides recreational activities, including intramural sports, fitness/leisure classes, sport clubs, and excursions. In addition, AS provides banking services to student organizations and additional funding for student organization events. AS is governed by a student board of directors, which is assisted by an advisory council

comprised of representatives from campus and AS administration. AS relies on campus personnel 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 2007/08 and 2008/09 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, 2009, to July 15, 2010. 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:

San Marcos University Corporation

- ▶ Operating and Administrative Agreements
- ▶ Facilities Agreements
- ▶ Corporate Governance
- ▶ Fiscal Compliance
- ▶ Operational Compliance
- ▶ Program Compliance
- ▶ Campus Oversight and Control
- ▶ Purchasing and Accounts Payable

University Auxiliary and Research Services 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
- ▶ Endowment Administration
- ▶ Auxiliary Programs
- ▶ Information Technology

Associated Students of California State University, San Marcos

- ▶ 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
- ▶ Auxiliary Programs
- ▶ Information Technology

Campus

- ▶ Campus Oversight and Control

We have not performed any auditing procedures beyond July 15, 2010. Accordingly, our comments are based on our knowledge as of that date. Since the purpose of our comments is to suggest areas for improvement, comments on favorable matters are not addressed.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

SAN MARCOS UNIVERSITY CORPORATION

OPERATING AND ADMINISTRATIVE AGREEMENTS

ADMINISTRATIVE SERVICE AGREEMENTS

Certain business arrangements between the San Marcos University Corporation (Corporation) and third parties did not include appropriate indemnification clauses.

We found that the indemnification provisions in the management agreements with the third-party administrators for the Center for Children and Families and the University Village Apartments did not specifically indemnify the California State University (CSU) Trustees, the campus, and the State of California.

Executive Order (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, arising out of, or in any way connected with the operations of the auxiliary.

The California State University Risk Management Authority (CSURMA) Auxiliary Organization Risk Management Authority (AORMA) *Policy & Procedure L-5* states that it is the policy of the CSURMA AORMA Self-Insured Liability Program that member organizations will protect CSURMA program assets by fully implementing the guidelines found in the Insurance Requirements in the Contracts Manual prepared by CSURMA's program administrator. This means that auxiliary organizations will require third-party contractors and vendors to provide appropriate indemnification, insurance, and documentation of coverage.

The Corporation executive director stated that these agreements have been in place for several years and management was unaware of the specific indemnification clause requirements.

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

Recommendation 1

We recommend that the Corporation:

- a. Amend the cited Agreements with appropriate indemnification provisions.
- b. Ensure that all future agreements include appropriate indemnification provisions.

Campus Response

We concur. The Corporation will amend the cited Agreements with appropriate indemnification provisions and ensure that all future agreements include the appropriate indemnification provisions.

Anticipated date of completion: On or before March 31, 2011

AUXILIARY FUNCTIONS

The Corporation performed a function not authorized by its operating agreement with the CSU Trustees, specifically the operation of the Center for Children and Families, an instructionally related program/activity.

Title 5 §42502 states that the operating agreement should specify the function or functions that the organization is to manage, operate, or administer.

The Corporation executive director stated that this function had not been included in the operating agreement due to oversight.

Failure to include all functions administered by the auxiliary in the operating agreement increases the risk of misunderstandings and miscommunication regarding rights and responsibilities.

Recommendation 2

We recommend that the Corporation amend its operating agreement to include instructionally related programs and activities as an authorized function.

Campus Response

We concur. The Corporation will amend the operating agreement to include instructionally related programs and activities associated with the Center for Children and Families as authorized functions.

Anticipated date of completion: On or before March 31, 2011

PURCHASING AND ACCOUNTS PAYABLE

The Corporation had not developed written policies and procedures to address purchasing activities of a property management firm and did not provide adequate oversight over expense reimbursements. This is a repeat finding from the prior Auxiliary Organizations audit.

The Corporation established an agreement with a property management firm to operate the University Village Apartments. The agreement required the property management firm to establish an annual operating expense budget for the property and submit it to the Corporation for approval. During the course of the year, the property management firm was allowed to procure goods and

services for the operation of the University Village Apartments up to the approved budgeted amounts.

We found that there was no documented review of supporting documentation for expenditures submitted for reimbursement. Although the Corporation reviewed a monthly expense summary listing, the listing was not submitted with receipts or other documentation to prove the purpose of and support the amount of the expenditures, and therefore it did not serve as an adequate control over purchasing activities of and expense reimbursements to the property management firm. Further, the Corporation had no knowledge of property management firm procurement and expense reimbursement procedures. Knowledge of these procedures could alert the Corporation to potential control deficiencies at the property management firm.

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, in part, that the auxiliary should establish a written system that provides for purchases and service contracts to be made within governing board policies, source restrictions, funds availability, and other applicable requirements.

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 supporting significant procurement processes with written policies and procedures and adequate oversight over expense reimbursements.

The Corporation executive director stated that the Corporation was operating under the procurement and expense reimbursement guidelines of the property management firm, but the Corporation had not yet established specific policies and procedures for Corporation review of supporting documentation of expenditures by the property management firm.

The absence of written policies and procedures to address purchasing activities of a property management firm and inadequate oversight of expenditure reimbursements increase the risk that errors, inconsistencies, misunderstandings, or misappropriation of funds will occur.

Recommendation 3

We recommend that the Corporation develop written policies and procedures for the review of purchasing activities of and expense reimbursements to the property management firm, including requirements for the submission of supporting documentation, performance of a documented review of monthly expense reimbursements, and a review of property management firm procurement and expense reimbursement procedures.

Campus Response

We concur. The Corporation will develop written policies and procedures for the review of purchasing activities of and expense reimbursements to the property management firm, including requirements for the submission of supporting documentation, performance of a documented review of monthly expense reimbursements, and a review of property management firm procurement and expense reimbursement procedures.

Anticipated date of completion: On or before March 31, 2011

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION

OPERATIONAL COMPLIANCE

POLICIES AND PROCEDURES

University Auxiliary and Research Services Corporation (UARSC) had not developed written policies and procedures to address bookstore procurement practices.

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 development of policies and procedures to address bookstore procurement practices.

The UARSC university store manager stated that a new procurement and inventory system was implemented in August 2009, and procedures were to be documented once the organization gained comfort with the system capabilities as they relate to the nature of bookstore operations.

The absence of written policies and procedures increases the risk that errors, inconsistencies, misunderstandings, or misappropriation of funds will occur.

Recommendation 4

We recommend that UARSC develop written policies and procedures to address bookstore procurement practices.

Campus Response

We concur. UARSC will develop written policies and procedures to address bookstore procurement practices.

Anticipated date of completion: On or before March 31, 2011

INVENTORY SHRINKAGE

UARSC did not establish an annual budget for bookstore inventory shrinkage, which prevented a comparison of actual results and the identification and analysis of significant differences.

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 8.9.3b, *Budgeting Sources of Income*, states that the auxiliary should establish a written

budgeting system that includes reasonable income estimates and the comparison of results and analyzes significant differences.

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 proper administration of inventory shrinkage.

The UARSC director of finance and business services stated that the auxiliary's practice was to adjust book inventory to the physical inventory and record that adjustment as shrinkage. He added that budgeting for bookstore shrinkage had not been previously considered.

Failure to budget for bookstore shrinkage limits the auxiliary's ability to make comparisons to actual shrinkage and increases the risk that irregularities will not be detected and misappropriation of inventory will occur.

Recommendation 5

We recommend that UARSC establish an annual budget for bookstore inventory shrinkage and perform a comparison of actual results, including the identification and analysis of significant differences.

Campus Response

We concur. A budget line item for inventory shrinkage was included in the fiscal year 2010/11 budget. This will allow us to perform a comparison of actual inventory count items to differences in booked values.

SEGREGATION OF DUTIES

Duties and responsibilities related to endowment investment account unitization were not appropriately segregated at UARSC. This a repeat finding from the prior Auxiliary Organizations audit.

Specifically, we found that one individual performed the calculation of the endowment investment account unitization to the individual endowment funds without an independent review.

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 8.9.2, *Investments*, states that the auxiliary should establish a written internal controls system that ensures investment and income decisions and recordkeeping are conducted and reviewed by more than one person.

The UARSC director of finance and business services stated that UARSC delayed the implementation of this control because the newly established Foundation was taking over the administration of endowments. He further stated his belief that this transition was to have occurred sooner and therefore did not address this recommendation from the previous audit.

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

Recommendation 6

We recommend that UARSC properly segregate certain endowment investment account functions or institute mitigating procedures approved by the campus chief financial officer (CFO).

Campus Response

We concur. An updated endowment and reporting procedure was approved by the new Foundation at the August 3, 2010, finance committee meeting.

CASH RECEIPTS AND HANDLING

DINING RECEIPTS

Cashiers' daily cash receipts at UARSC dining operations were not verified by a supervisor or independent person prior to their transfer to the food services office for deposit.

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 adequate administration of cash receipts.

The UARSC food services manager stated that management had gained comfort with lead cashiers responsible for transferring cash receipts and no longer required cash receipts to be verified by an independent person prior to transfer to the food services office for deposit.

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

Recommendation 7

We recommend that UARSC ensure that a supervisor or independent person verifies cashiers' daily cash receipts at dining operations prior to their transfer to the food services office for deposit.

Campus Response

We concur. Since July 2010, UARSC has been ensuring that a supervisor or independent person verifies cashiers' daily cash receipts at dining operations prior to their transfer to the food services office for deposit.

BOOKSTORE RECEIPTS

Administration of manual receipts for UARSC bookstore off-site events did not ensure adequate accountability over cash receipts.

We found that:

- ▶ Manual cash receipts were not retained or accounted for via receipt/log books.
- ▶ Manual receipts processed were not reconciled to the cash receipts journal.
- ▶ Manual receipts were not used in sequential order.

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 adequate administration of cash receipts.

The UARSC university store manager stated that manual receipts were not maintained after cash sales were posted due to an inconsistency in the manual receipts process. She added that manual receipts for credit card sales were not maintained because credit card slips were being used as customer receipts and therefore were not maintained in order to keep customer information confidential. She further stated the bookstore's belief that the current process to control the use of manual receipts was adequate, as off-site sales were infrequent and/or cyclical.

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

Recommendation 8

We recommend that UARSC:

- a. Retain and account for all manual cash receipts via receipt/log books.
- b. Require a reconciliation by an independent person of manual receipts processed to the cash receipts journal.
- c. Use manual cash receipts in sequential order.

Campus Response

We concur. UARSC will retain and account for all manual cash receipts via a receipt/log book, will require a reconciliation by an independent person of manual receipts processed to the cash receipts journal, and will use manual cash receipts in sequential order.

Anticipated date of completion: On or before March 31, 2011

PETTY CASH AND CHANGE FUNDS

UARSC did not conduct independent cash counts of all petty cash funds.

We found that independent cash counts of petty cash funds held at the cashier's office, library, and career center were not conducted.

UARSC *Petty Cash Instructions* state that petty cash accounts will be audited once a month.

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 petty cash funds.

The UARSC assistant director of finance and business services stated that the auxiliary was unaware of the requirement to independently count the aforementioned petty cash funds.

The absence of periodic independent cash counts of petty cash funds increases the risk of loss or misappropriation of funds.

Recommendation 9

We recommend that UARSC conduct periodic independent cash counts of all petty cash funds.

Campus Response

We concur. UARSC will conduct periodic independent cash counts of all petty cash funds held at the cashier's, the library, and the career center.

Anticipated date of completion: On or before March 31, 2011

FEES, REVENUES, AND RECEIVABLES

UARSC bookstore inventory transferred to off-site events was not adequately controlled, as merchandise was not adequately accounted for, and merchandise sales were not reconciled to cash receipts or to the revenues recorded in the general ledger.

We found that:

- ▶ Inventory counts were not conducted of merchandise transferred to off-site events (i.e., athletic events, graduation fair, and commencement) at the time of transfer, the start of sale, and the end of sale in order to determine and maintain accountability over merchandise sold.
- ▶ A reconciliation of merchandise sold to cash receipts and sales recorded in the general ledger was not completed for off-site events.

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 bookstore inventory, sales, and cash receipts.

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 UARSC university store manager stated her belief that the current processes were adequate, as off-site event sales were infrequent and/or cyclical.

Inadequate administration of bookstore inventory, sales, and cash receipts increases the risk of a loss or misappropriation of funds.

Recommendation 10

We recommend that UARSC:

- a. Perform inventory counts for all merchandise transferred to off-site events at the time of transfer, the start of sale, and the end of sale, in order to determine and maintain accountability over merchandise sold.
- b. Complete a reconciliation of merchandise sold to cash receipts and sales recorded in the general ledger for all off-site events.

Campus Response

We concur. UARSC will perform inventory counts for all merchandise transferred to off-site events at the time of the transfer, the start of sale, and the end of sale, in order to determine and maintain accountability over merchandise sold, and UARSC will complete a reconciliation of merchandise sold to cash receipts and sales recorded in the general ledger for all off-site events.

Anticipated date of completion: On or before March 31, 2011

TRUSTS AND OTHER LIABILITIES

Certain campus program revenues were inappropriately deposited to, and held in custody by, UARSC.

UARSC financial statements as of June 30, 2009, indicated that UARSC administered and maintained 337 campus program accounts totaling \$6,411,726. We reviewed all 337 accounts and found that state/campus operating funds totaling \$196,845 were being inappropriately held by UARSC in 15 accounts.

Each CSU campus shall administer their General and non-General Fund receipts to ensure that the funds are held in proper accounts. 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.

The UARSC executive director stated that most of the 15 accounts cited were set up many years ago, and the auxiliary was unaware that they contained state/campus operating funds.

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

Recommendation 11

We recommend that UARSC:

- a. Move those state/campus operating funds identified above to campus accounts within six months.
- b. Certify that none of the following specific and similar monies reside in UARSC trust accounts:
 - Contracts and grants awarded to the university.
 - UARSC 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.
 - Athletics funds/fees/revenues other than gifts/donations.
 - Investment income from state funds/fees/revenues.
 - 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 UARSC via contract with the campus.

Campus Response

We concur. UARSC is in the process of transferring the state/campus operating funds identified above to campus accounts and will certify that the funds listed in Section B do not reside in UARSC trust accounts.

Anticipated date of completion: On or before March 31, 2011

AUXILIARY PROGRAMS

Administration of federally sponsored projects at UARSC did not provide for debarment and suspension certification by principal investigators and other key personnel.

We found that UARSC lacked policies and procedures for debarment and suspension certification by principal investigators and other key personnel involved in federally sponsored projects. As a result, these individuals were not required to certify that they were not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal department or agency.

Federal Acquisition Regulation, Subpart 52.209-5, *Certification Regarding Debarment, Suspension, Proposed Debarment, and Other Responsibility Matters*, states that the offeror certifies, to the best of

its knowledge and belief, that the offeror and/or any of its principals are not presently debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any federal agency.

The National Institutes of Health (NIH) *Grants Policy Statement 11-14* states that applicants for NIH grants (“primary covered transactions”) are required to certify that, to the best of their knowledge and belief, they and their principals (including principal investigators and other key personnel) are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal department or agency.

The UARSC director of sponsored projects stated that he was unaware of this requirement for federal grants. He further stated his belief that it was the responsibility of the granting agencies to notify UARSC during the proposal stage if any principals were debarred or suspended.

Insufficient administration of federally sponsored projects increases the risk of non-compliance with federal regulations and jeopardizes the future of the auxiliary’s sponsored programs.

Recommendation 12

We recommend that UARSC develop written policies and procedures for debarment and suspension certification and require all principal investigators and other key personnel involved in federally sponsored projects to certify that they are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal department or agency.

Campus Response

We concur. Management will establish written procedures for determination and documentation of debarment and suspension of principal investigators and other key personnel involved in federally sponsored projects.

Anticipated date of completion: On or before March 31, 2011

ASSOCIATED STUDENTS OF
CALIFORNIA STATE UNIVERSITY, SAN MARCOS

CASH RECEIPTS AND HANDLING

Administration of cash receipts at the Associated Students of California State University, San Marcos (AS) business office did not ensure timely endorsement and deposit of checks.

We found that:

- ▶ Incoming checks were not strictly endorsed immediately upon receipt. We inspected the safe on June 14, 2010, and found five checks received between June 1, 2010, and June 11, 2010, that were not yet endorsed, resulting in endorsement delays ranging from 3 to 13 days.
- ▶ Check receipts were not deposited in a timely manner. We reviewed 15 checks received between March 22, 2010, and March 26, 2010, and found that they had been deposited on April 13, 2010, resulting in deposit delays ranging from 22 to 26 days from receipt.

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 adequate administration of cash receipts.

The AS interim executive director stated that the cited check endorsement and deposit delays were due to staffing limitations that resulted in a reduction in attention paid to the timeliness of check collections and deposits.

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

Recommendation 13

We recommend that AS ensure that all incoming checks are restrictively endorsed immediately upon receipt and deposited in a timely manner.

Campus Response

We concur. ASI will develop procedures to ensure that all incoming checks are restrictively endorsed immediately upon receipt and deposited in a timely manner.

Anticipated date of completion: January 31, 2011

APPENDIX A: PERSONNEL CONTACTED

Name

Title

CAMPUS

Karen S. Haynes	President
Tina Bell	Associate Vice President, Advancement
Linda Hawk	Chief Financial Officer (CFO) and Vice President, Finance and Administrative Services
Neal Hoss	Vice President, University Advancement
Katy Rees	Director, Strategic Planning and Administrative Services
Agnes Tobe	Accountant
Patricia Worden	Vice President, Student Affairs
Daniel Zorn	Director, Accounting and Technology Services

SAN MARCOS UNIVERSITY CORPORATION

Brian Dawson	Director, University Village Apartments
Dora Knoblock	Executive Director

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION

Billy Britton	Assistant Manager, University Store
Kathy Brown	University Store Manager
Deborah Davis	Assistant Director, Finance and Business Services
Grant Hubbard	Director, Sponsored Projects
Dora Knoblock	Executive Director
Melanie Niedens	Food Services Manager
Angela Sciuto-Dawson	Starbucks Manager
Greg Svatora	Director, Finance and Business Services
Tammy Wagonis	Textbook Buyer

ASSOCIATED STUDENTS OF CALIFORNIA STATE UNIVERSITY, SAN MARCOS

Rodger D'Andreas	Interim Executive Director
Deborah Fritsvold	Director, Business and Fiscal Operations
Marilyn McWilliams	Coordinator of Student Accounts and Services

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
SAN MARCOS

Finance &
Administrative
Services

Office of the Vice President California State University San Marcos 333 S. Twin Oaks Valley Road San Marcos, CA 92096-0001
Tel: 760.750.4950 www.csusm.edu/fas

November 1, 2010

Mr. Larry Mandel
University Auditor
The California State University
401 Golden Shore
Long Beach, CA 90802

RECEIVED
UNIVERSITY AUDITOR

OCT 29 2010

THE CALIFORNIA STATE
UNIVERSITY

Subject: Campus Response to Audit Report 10-04, Auxiliary Organizations
California State University San Marcos

Dear Mr. Mandel:

Enclosed is our campus response to the thirteen recommendations in Audit Report 10-04, Auxiliary Organizations. We anticipate sending our supporting evidence no later than March 31, 2010.

Please let us know if you have any questions or need additional information.

Sincerely,

Linda Hawk
Vice President
Finance and Administrative Services

Enclosures

cc: President Karen S. Haynes

AUXILIARY ORGANIZATIONS
CALIFORNIA STATE UNIVERSITY,
SAN MARCOS

Audit Report 10-04

SAN MARCOS UNIVERSITY CORPORATION

OPERATING AND ADMINISTRATIVE AGREEMENTS

ADMINISTRATIVE SERVICE AGREEMENTS

Recommendation 1

We recommend that the Corporation:

- a. Amend the cited Agreements with appropriate indemnification provisions.
- b. Ensure that all future agreements include appropriate indemnification provisions.

Campus Response

We concur. San Marcos University Corporation will amend the cited Agreements with appropriate indemnification provisions and ensure that all future agreements include the appropriate indemnification provisions.

Anticipated completion date: On or before March 31, 2011

AUXILIARY FUNCTIONS

Recommendation 2

We recommend that the Corporation amend its operating agreement to include instructionally related programs and activities as an authorized function.

Campus Response

We concur. San Marcos University Corporation will amend the operating agreement to include instructionally related programs and activities associated with the Center for Children and Families as authorized functions.

Anticipated date of completion: On or before March 31, 2011

PURCHASING AND ACCOUNTS PAYABLE

Recommendation 3

We recommend that the Corporation develop written policies and procedures for the review of purchasing activities of and expense reimbursements to the property management firm, including requirements for the submission of supporting documentation, performance of a documented review of monthly expense reimbursements, and a review of property management firm procurement and expense reimbursement procedures.

Campus Response

We concur. The Corporation will develop written policies and procedures for the review of purchasing activities of and expense reimbursements to the property management firm, including requirements for the submission of supporting documentation, performance of a documented review of monthly expense reimbursements, and a review of property management firm procurement and expense reimbursement procedures.

Anticipated date of completion: On or before March 31, 2011

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION

OPERATIONAL COMPLIANCE

POLICIES AND PROCEDURES

Recommendation 4

We recommend that UARSC develop written policies and procedures to address bookstore procurement practices.

Campus Response

We concur. UARSC will develop written policies and procedures to address bookstore procurement practices.

Anticipated date of completion: On or before March 31, 2011

INVENTORY SHRINKAGE

Recommendation 5

We recommend that UARSC establish an annual budget for bookstore inventory shrinkage and perform a comparison of actual results, including the identification and analysis of significant differences.

Campus Response

We concur. A budget line item for inventory shrinkage was included in the fiscal year 2010/11 budget. This will allow us to perform a comparison of actual inventory count items to differences in booked values.

Anticipated date of completion: Completed July 2010

SEGREGATION OF DUTIES

Recommendation 6

We recommend that UARSC properly segregate certain endowment investment account functions or institute mitigating procedures approved by the campus chief financial officer (CFO).

Campus Response

We concur. An updated endowment and reporting procedure was approved by the new Foundation at the August 3, 2010, Finance Committee meeting.

Anticipated date of completion: Completed August 2010

CASH RECEIPTS AND HANDLING

DINING RECEIPTS

Recommendation 7

We recommend that UARSC ensure that a supervisor or independent person verifies cashiers' daily cash receipts at dining operations prior to their transfer to the food services office for deposit.

Campus Response

We concur. UARSC has been ensuring that a supervisor or independent person verifies cashiers' daily cash receipts at dining operations prior to their transfer to the food services office for deposit.

Anticipated Date of Completion: Completed July 2010

BOOKSTORE RECEIPTS

Recommendation 8

We recommend that UARSC:

- a. Retain and account for all manual cash receipts via receipt/log books.
- b. Require a reconciliation by an independent person of manual receipts processed to the cash receipts journal.
- c. Use manual cash receipts in sequential order.

Campus Response

We concur. UARSC will retain and account for all manual cash receipts via a receipt/log book, we will require a reconciliation by an independent person of manual receipts processed to the cash receipts journal, and we will use manual cash receipts in sequential order.

Anticipated date of completion: On or before March 31, 2011

PETTY CASH AND CHANGE FUNDS

Recommendation 9

We recommend that UARSC conduct periodic independent cash counts of all petty cash funds.

Campus Response

We concur. UARSC will conduct periodic independent cash counts of all petty cash funds held at the Cashier's, Library, and Career Center.

Anticipated date of completion: On or before March 31, 2011

FEES, REVENUES, AND RECEIVABLES

Recommendation 10

We recommend that UARSC:

- a. Perform inventory counts for all merchandise transferred to off-site events at the time of transfer, the start of sale, and the end of sale, in order to determine and maintain accountability over merchandise sold.
- b. Complete a reconciliation of merchandise sold to cash receipts and sales recorded in the general ledger for all off-site events.

Campus Response

We concur. UARSC will perform inventory counts for all merchandise transferred to off-site events at the time of the transfer, the start of sale, and the end of sale, in order to determine and maintain accountability over merchandise sold, and UARSC will complete a reconciliation of merchandise sold to cash receipts and sales recorded in the general ledger for all off-site events.

Anticipated Date of Completion: On or before March 31, 2011

TRUSTS AND OTHER LIABILITIES

Recommendation 11

We recommend that UARSC:

- a. Move those state/campus operating funds identified above to campus accounts within six months.
- b. Certify that none of the following specific and similar monies reside in UARSC trust accounts:
 - Contracts and grants awarded to the university.
 - UARSC 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.
 - Athletics funds/fees/revenues other than gifts/donations.
 - Investment income from state funds/fees/revenues.
 - 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 UARSC via contract with the campus.

Campus Response

We concur. UARSC is in the process of transferring the state/campus operating funds identified above to campus accounts and will certify the funds listed in section b. do not reside in UARSC trust accounts.

Anticipated date of completion: On or before March 31, 2011

AUXILIARY PROGRAMS

Recommendation 12

We recommend that UARSC develop written policies and procedures for debarment and suspension certification and require all principal investigators and other key personnel involved in federally sponsored projects to certify that they are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal department or agency.

Campus Response

We concur. Management will establish written procedures for determination and documentation of debarment and suspension of PI's and other key personnel involved in federally sponsored projects.

Anticipated date of completion: On or before March 31, 2011

ASSOCIATED STUDENTS OF
CALIFORNIA STATE UNIVERSITY, SAN MARCOS

CASH RECEIPTS AND HANDLING

Recommendation 13

We recommend that AS ensure that all incoming checks are restrictively endorsed immediately upon receipt and deposited in a timely manner.

Campus Response

We concur. ASI will develop procedures to ensure that all incoming checks are restrictively endorsed immediately upon receipt and deposited in a timely manner.

Anticipated date of completion: January 31, 2011

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR



BAKERSFIELD

CHANNEL ISLANDS

November 24, 2010

CHICO

MEMORANDUM

DOMINGUEZ HILLS

EAST BAY

TO: Mr. Larry Mandel
University Auditor

FRESNO

FULLERTON

FROM: Charles B. Reed
Chancellor

HUMBOLDT

SUBJECT: Draft Final Report 10-04 on *Auxiliary Organizations*,
California State University, San Marcos

LONG BEACH

LOS ANGELES

In response to your memorandum of November 24, 2010, I accept the response as submitted with the draft final report on *Auxiliary Organizations*, California State University, San Marcos.

MARITIME ACADEMY

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/amd

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS