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## OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

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ABBREVIATIONS

AS	Associated Students of Sonoma State University
CSU	California State University
Foundation	Sonoma State University Academic Foundation Inc.
RFIN	Resolution of the Committee on Finance
SSE	Sonoma State Enterprises, Inc.
SSU	Sonoma State University
Union	Sonoma Student Union 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.

Sonoma State University (SSU) 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 SSU campus and its auxiliary organizations from May 14, 2012, through June 15, 2012, and made a study and evaluation of the system of internal compliance/internal control in effect as of June 15, 2012. This report represents our triennial review.

Our study and evaluation at the SSU campus did not reveal any significant internal control problems or weaknesses that would be considered pervasive in their effects on the accounting and administrative controls. In our opinion, the accounting and administrative control in effect as of June 15, 2012, taken as a whole, was sufficient to meet the objectives stated above.

Our study and evaluation at Sonoma State University Academic Foundation, Inc. did not reveal any significant internal control problems or weaknesses that would be considered pervasive in their effects on the accounting and administrative controls. In our opinion, the accounting and administrative control in effect as of June 15, 2012, taken as a whole, was sufficient to meet the objectives stated above.

Our study and evaluation at Sonoma State Enterprises, Inc. 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 June 15, 2012, taken as a whole, was sufficient to meet the objectives stated above.

Our study and evaluation at Sonoma Student Union 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 June 15, 2012, taken as a whole, was sufficient to meet the objectives stated above.

Our study and evaluation at Associated Students of Sonoma State University 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 June 15, 2012, 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.

**SONOMA STATE ENTERPRISES, INC.**

**COMMERCIAL OPERATIONS [10]**

Administration of Sonoma State Enterprises, Inc. catering services required improvement. For example, full payment for estimated services was not always received prior to the event start date, and Prelude agreements were not always fully executed in a timely manner.

**SONOMA STUDENT UNION CORPORATION**

**CASH RECEIPTS AND HANDLING [12]**

The Sonoma Student Union Corporation did not use a check log to record checks received through the mail at the recreation center.
ASSOCIATED STUDENTS OF SONOMA STATE UNIVERSITY

CORPORATE GOVERNANCE [13]

Associated Students of Sonoma State University (AS) had not filed amended Bylaws with the chancellor’s office in a timely manner.

OPERATIONAL COMPLIANCE [13]

AS had not developed written policies and procedures to address the accounting and processing of overtime payments. Additionally, AS did not provide nondiscrimination and affirmative action training to student employees upon hire.

PERSONNEL AND PAYROLL [15]

AS did not complete separation documentation for student employees.
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.

Sonoma State University Academic Foundation Inc.

The Sonoma State University Academic Foundation Inc. (Foundation) was established in 1974 as a non-profit public benefit corporation. The Foundation’s principle mission is to receive and administer gifts, endowments, scholarships, and planned giving that enhance and promote Sonoma State University’s (SSU) educational mission. The Foundation is also authorized to receive and process gifts, bequests, endowments, and trusts, and to acquire and develop real property. The Foundation is governed by a
board of directors composed of faculty, staff, students, alumni, and community members. It does not have employees and relies on university personnel for accounting and administrative support services.

Sonoma State Enterprises, Inc.

Sonoma State Enterprises, Inc. (SSE) was formed as a non-profit corporation and auxiliary organization of the CSU in 1961 to support the mission of SSU by providing goods and services for the campus community and invited guests. SSE outsources the bookstore operations to a third party and is responsible for operating the Prelude at the Green Music Center, central campus dining services, residence hall dining services, vending, and Zinfandel Marketplace convenience store. SSE is governed by a board of directors composed of faculty, staff, students, administrators, and community members. It does not have employees and relies on university personnel for accounting and administrative support services.

Sonoma Student Union Corporation

The Sonoma Student Union Corporation (Union) was established in 1975 as a non-profit public benefit corporation to promote and furnish facilities for the educational development and academic services of SSU. The Union serves as a focal point for student life outside the classroom and strives to enhance the student university experience by offering programs that contribute to students’ emotional and physical well-being and intellectual and social development outside the context of the formal instruction program. These programs include student activities, intramural athletics, recreation and fitness, and student organizations. The Union is governed by a board of directors composed of faculty, staff, students, and alumni. It does not have employees and relies on university personnel for accounting and administrative support services.

Associated Students of Sonoma State University

Associated Students of Sonoma State University (AS) was established in 1962 as a non-profit auxiliary corporation with the specific and primary purpose of operating a charitable and educational organization. AS is responsible for operating services for students and student clubs through Associated Students Productions, Join Us Making Progress, student government, and the Children’s School. AS is governed by the student board of directors and employs an executive director, a business manager, and staff personnel to manage daily operations. AS relies on the university’s financial services unit for accounting and administrative support services.
INTRODUCTION

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 2009/10 and 2010/11 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, 2011, to June 15, 2012. 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:

**Sonoma State University Academic Foundation Inc.**
- Operating and Administrative Agreements
- Facilities Agreements
- Corporate Governance
- Fiscal Compliance
- Operational Compliance
- Program Compliance
- Campus Oversight and Control
- Segregation of Duties
- Cash Disbursement
- 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

**Sonoma State Enterprises, Inc.**
- 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
- Cash Disbursement
- Petty Cash and Change Funds
- Investments
- Fees, Revenues, and Receivables
Sonoma State Enterprises, Inc. (cont.)
- Purchasing and Accounts Payable
- Personnel and Payroll
- Property and Equipment
- Trusts and Other Liabilities
- Auxiliary Programs
- Information Technology

Sonoma Student Union 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
- Cash Disbursement
- 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 of Sonoma State University
- Operating and Administrative Agreements
- Corporate Governance
- Fiscal Compliance
- Operational Compliance
- Program Compliance
- Campus Oversight and Control
- Segregation of Duties
- Cash Receipts and Handling
- Cash Disbursement
- Petty Cash and Change Funds
- Investments
- Fees, Revenues, and Receivables
- Purchasing and Accounts Payable
- Personnel and Payroll
- Property and Equipment
Associated Students of Sonoma State University (cont.)

- Auxiliary Programs
- Information Technology

Campus

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

We have not performed any auditing procedures beyond June 15, 2012. 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

SONOMA STATE ENTERPRISES, INC.

COMMERCIAL OPERATIONS

Administration of Sonoma State Enterprises Inc. (SSE) catering services required improvement.

We reviewed 20 catering agreements from July 2010 to April 2012 and found that:

- In seven instances, full payment for estimated services was not received prior to the event start date.
- In two instances, late booking charges were not assessed for events booked with less than ten days’ notice.
- In two instances, special event insurance coverage was not obtained by external customers hosting events on state property.
- In two instances, Prelude agreements were not fully executed in a timely manner. Final execution ranged from 14 to 240 days after the event start date.

The Sonoma State University (SSU) Conference Lease Agreement states that a payment for 100 percent of the final total amount due shall be paid no later than 15 days prior to the lease start date.

The SSU Catered Services Guidelines states that if catered services are being billed to a private party, payment is due prior to the service. It also states that all services provided with less than ten business days notice will be subject to late booking charges of $20 or 10 percent of the order, whichever is greater.

The SSU Conference Lease Agreement states that the university must receive both the Association for Cooperative Operations Research and Development Certificate of Insurance and an additional insured endorsement specifically naming the state of California, Trustees of the California State University (CSU), SSU, and its officers, agents, and employees as additional insured and must show evidence that the lessee is insured for the period of the conference with minimum coverage outlined.

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.
The SSE chief operating officer stated that under certain circumstances, management can exercise discretion regarding certain policy guidelines, such as obtaining full payments prior to the lease start date and assessing late booking charges, when trying to meet the specific needs of customers. He further stated that third-party insurance was likely obtained and reviewed, but a copy was not retained in the event file. In addition, he stated that contract signatures were not obtained in a timely manner due to oversight.

Inadequate administration of catering services increases the risk of misunderstanding and miscommunication regarding rights and responsibilities and revenue loss and subjects the auxiliaries and CSU to potential liability.

**Recommendation 1**

We recommend that SSE:

a. Obtain payments for catering services prior to the event.

b. Assess late booking charges for events booked with less than ten days’ notice.

c. Ensure that special event insurance coverage is obtained by external customers hosting events on state property.

d. Ensure that the Prelude agreements are executed in a timely manner.

**Campus Response**

We concur.

a. Entrepreneurial Services will issue a formal memo to all responsible parties providing instructions on how to obtain payments for catering services prior to the event.

b. Entrepreneurial Services will issue a formal memo to all responsible parties providing instructions on how to make sure to assess late booking charges for events booked with less than ten days’ notice. Exceptions to the late charges will have to be approved by management.

c. Entrepreneurial Services will issue a formal memo to all responsible parties providing instructions on how to ensure that special event insurance coverage is obtained by external customers hosting events on state property.

d. Entrepreneurial Services will issue a formal memo to all responsible parties providing instructions on how to ensure that the Prelude agreements are executed in a timely manner.

Anticipated completion date: December 31, 2012
SONOMA STUDENT UNION CORPORATION

CASH RECEIPTS AND HANDLING

The Sonoma Student Union Corporation (Union) did not use a check log to record checks received through the mail at the recreation center.

Integrated California State University Administrative Manual §3102.03, Acceptance of Cash and Cash Equivalents, dated April 1, 2011, states that a collection not recorded on a cash register or point of sale equipment, including mailed payments, can be recorded on a valid pre-numbered, multiple-part cash receipt or a mailed payments log. The receipts must be used sequentially. Receipt stock shall be kept secured, inventoried, and regularly reviewed to prevent and detect alteration. The mailed payments log should be reviewed and reconciled periodically.

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 Union executive director stated that a check log was not utilized due to oversight.

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

Recommendation 2

We recommend that the Union establish a check log to record checks received through the mail at the recreation center.

Campus Response

We concur. As of May 31, 2012, a check log procedure was implemented to record checks received through the mail at the recreation center.
ASSOCIATED STUDENTS OF SONOMA STATE UNIVERSITY

CORPORATE GOVERNANCE

Associated Students of Sonoma State University (AS) had not filed amended Bylaws with the chancellor’s office in a timely manner.

We found that amendments to the Bylaws made on December 10, 2010, and December 6, 2011, had not been filed with the chancellor’s office until they were noted during fieldwork.

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 and Bylaws, states that when an auxiliary organization makes changes to its Articles of Incorporation (or Constitution) or Bylaws, a complete amended copy is to be submitted to Contract Services and Procurement 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 AS executive director stated that Bylaws were not filed with the chancellor’s office due to oversight.

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

During our fieldwork, AS provided documentation showing evidence that a complete amended copy of its Bylaws had been filed with the chancellor’s office.

OPERATIONAL COMPLIANCE

POLICIES AND PROCEDURES

AS had not developed written policies and procedures to address the accounting and processing of overtime payments.

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 the accounting and processing of overtime payments.

The AS executive director stated that revisions to personnel policies, including the accounting and processing of overtime payments, had begun but had not yet been completed.
The absence of written policies and procedures increases the risk that errors, inconsistencies, misunderstandings, or misappropriation may occur.

**Recommendation 3**

We recommend that AS develop written policies and procedures to address the accounting and processing of overtime payments.

**Campus Response**

We concur. By December 31, 2012, AS will implement a policy and procedures to address the accounting and processing of overtime payments.

**EMPLOYEES**

AS did not provide nondiscrimination and affirmative action training to student employees upon hire.

Executive Order 883, *Systemwide Guidelines for Nondiscrimination and Affirmative Action Programs in Employment*, dated October 31, 2003, states that each campus shall conduct employee training on the nondiscrimination, equal employment, and affirmative action obligations of the CSU. It is recommended that training be provided to all new employees shortly after their start dates and periodically thereafter. It is further recommended that information contained in the training be made accessible for reference by current employees annually.

The AS executive director stated that nondiscrimination and affirmative action training was not provided to student employees upon hire due to oversight.

Failure to provide nondiscrimination and affirmative action training increases the risk of non-compliance with federal, state, and CSU regulations and subjects the auxiliaries and CSU to potential liability.

**Recommendation 4**

We recommend that AS provide nondiscrimination and affirmative action training to all student employees upon hire.

**Campus Response**

We concur. By December 31, 2012, AS will train all new student hires in the areas of nondiscrimination and affirmative action; such training will be required for all students upon hire.
PERSONNEL AND PAYROLL

AS did not complete separation documentation for student employees. We reviewed five student employee separations from November 2009 to May 2012 and found that separation documentation was not on file.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.6, *Payroll*, states that the auxiliary should establish a written system that ensures proper authorization, approval, and documentation of new hires, changes in employment, salary and wage rates, and payroll deductions.

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 employee separations.

The AS executive director stated his belief that the current termination procedure, whereby the business manager updates the payroll system upon notification, was sufficient.

Failure to properly document employee separations increases the risk of loss of auxiliary funds and inappropriate use of auxiliary resources.

**Recommendation 5**

We recommend that AS complete separation documentation for student employees.

**Campus Response**

We concur. A separation documentation procedure was implemented as of July 31, 2012.
## APPENDIX A:
### PERSONNEL CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CAMPUS</strong></td>
<td></td>
</tr>
<tr>
<td>Ruben Armiñana</td>
<td>President</td>
</tr>
<tr>
<td>Megan Christensen</td>
<td>Box Office Manager</td>
</tr>
<tr>
<td>Letitia Coate</td>
<td>Associate Vice President, Administration and Finance</td>
</tr>
<tr>
<td>Laurence Furukawa-Schlereth</td>
<td>Vice President, Administration and Finance</td>
</tr>
<tr>
<td>Peter Flores</td>
<td>Common Management System Security Administrator</td>
</tr>
<tr>
<td>Ian Hannah</td>
<td>Acting University Treasurer</td>
</tr>
<tr>
<td>Kurt Koehle</td>
<td>Director, Internal Operations Analysis and Review</td>
</tr>
<tr>
<td>Andru Luvisi</td>
<td>Information Security Officer</td>
</tr>
<tr>
<td>Anna Reynolds-Smith</td>
<td>Director, Financial Planning and Analysis</td>
</tr>
<tr>
<td>Amanda Visser</td>
<td>Deputy Controller for Auxiliaries</td>
</tr>
<tr>
<td>Jessica Way</td>
<td>Director, Events</td>
</tr>
<tr>
<td><strong>SONOMA STATE UNIVERSITY ACADEMIC FOUNDATION, INC.</strong></td>
<td></td>
</tr>
<tr>
<td>Letitia Coate</td>
<td>Secretary/Chief Financial Officer</td>
</tr>
<tr>
<td>Laurence Furukawa-Schlereth</td>
<td>Chief Operating Officer</td>
</tr>
<tr>
<td>Erik Greeny</td>
<td>President</td>
</tr>
<tr>
<td>Becky Olsen</td>
<td>Administrative Analyst II</td>
</tr>
<tr>
<td><strong>SONOMA STATE ENTERPRISES, INC.</strong></td>
<td></td>
</tr>
<tr>
<td>Patrick Maloney</td>
<td>Associate Director, Guest Services, Green Music Center</td>
</tr>
<tr>
<td>Neil Markley</td>
<td>Chief Operating Officer</td>
</tr>
<tr>
<td>Dan O'Brien</td>
<td>Associate Director, University Dining Services</td>
</tr>
<tr>
<td><strong>SONOMA STUDENT UNION CORPORATION</strong></td>
<td></td>
</tr>
<tr>
<td>Leslie Johnston</td>
<td>Account Tech III</td>
</tr>
<tr>
<td>Kurt Koehle</td>
<td>Director, Internal Operations Analysis and Review</td>
</tr>
<tr>
<td>Peter Neville</td>
<td>Executive Director</td>
</tr>
<tr>
<td>Becky Olsen</td>
<td>Administrative Analyst II</td>
</tr>
<tr>
<td>Anna Reynolds-Smith</td>
<td>Director, Financial Planning and Analysis</td>
</tr>
<tr>
<td>Pamela Su</td>
<td>Director of Campus Recreation</td>
</tr>
<tr>
<td>Amanda Visser</td>
<td>Deputy Controller for Campus Recreation</td>
</tr>
<tr>
<td><strong>ASSOCIATED STUDENTS OF SONOMA STATE UNIVERSITY</strong></td>
<td></td>
</tr>
<tr>
<td>Cara Brustal</td>
<td>Children’s School Program Coordinator</td>
</tr>
<tr>
<td>Jennifer Crist</td>
<td>Contracts and Procurement Purchasing Manager</td>
</tr>
<tr>
<td>Erik Dickson</td>
<td>Executive Director</td>
</tr>
<tr>
<td>Ian Hannah</td>
<td>Acting University Treasurer</td>
</tr>
<tr>
<td>Kurt Koehle</td>
<td>Director, Internal Operations Analysis and Review</td>
</tr>
<tr>
<td>Diane Psota</td>
<td>Administrative Analyst II</td>
</tr>
<tr>
<td>Jean Snyder</td>
<td>Accounts Receivables Accountant</td>
</tr>
<tr>
<td>Michelle Van Fossen</td>
<td>Accounts Payable Operations Manager</td>
</tr>
<tr>
<td>Amanda Visser</td>
<td>Deputy Controller for Auxiliaries</td>
</tr>
</tbody>
</table>
ASSOCIATED STUDENTS OF SONOMA STATE UNIVERSITY (CONT.)

Linda Williams Business Manager
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.
November 8, 2012

MEMORANDUM

TO: Larry Mandel  
University Auditor  
California State University  
401 Golden Shore, 4th Floor  
Long Beach, California 90802-4200

FROM: Laurence Furukawa Achlereth  
Chief Financial Officer and  
Vice President for Administration and Finance

SUBJECT: Auxiliary Organizations, Draft Audit Report #12-04  
Campus Response

On behalf of President Armiñana, I am submitting the initial Campus Response to the recommendations of Draft Audit Report # 12-04, Auxiliary Organizations.

We will provide documentation to demonstrate the completion of corrective actions for each recommendation.

This memorandum [.pdf copy], and the Campus Response is submitted via email to OUA@calstate.edu.

Enclosure

c: President Ruben Armiñana  
Letitia Coate  
Neil Markley  
Erik Dickson  
Peter Neville  
Amanda Visser  
Brian Orr  
Kurt Koehle
COMMERCIAL OPERATIONS

Recommendation 1

We recommend that SSE:

a. Obtain payments for catering services prior to the event.

b. Assess late booking charges for events booked with less than ten days’ notice.

c. Ensure that special event insurance coverage is obtained by external customers hosting events on state property.

d. Ensure that the Prelude agreements are executed in a timely manner.

Campus Response

We concur.

a. Entrepreneurial Services will issue a formal memo to all responsible parties providing instructions on how to obtain payments for catering services prior to the event.

b. Entrepreneurial Services will issue a formal memo to all responsible parties providing instructions on how to make sure to assess late booking charges for events booked with less than ten days’ notice. Exceptions to the late charges will have to be approved by Management.

c. Entrepreneurial Services will issue a formal memo to all responsible parties providing instructions on how to ensure that special event insurance coverage is obtained by external customers hosting events on state property.

d. Entrepreneurial Services will issue a formal memo to all responsible parties providing instructions on how to ensure that the Prelude agreements are executed in a timely manner.

Anticipated completion date: December 31, 2012
SONOMA STUDENT UNION CORPORATION

CASH RECEIPTS AND HANDLING

Recommendation 2

We recommend that the Union establish a check log to record checks received through the mail at the recreation center.

Campus Response

We concur. As of May 31, 2012, a check log procedure was implemented to record checks received through the mail at the recreation center.
ASSOCIATED STUDENTS OF SONOMA STATE UNIVERSITY

OPERATIONAL COMPLIANCE

POLICIES AND PROCEDURES

Recommendation 3

We recommend that AS develop written policies and procedures to address the accounting and processing of overtime payments.

Campus Response

We concur. By December 31, 2012, the Associated Students of Sonoma State University will implement a policy and procedures to address the accounting and processing of overtime payments.

EMPLOYEES

Recommendation 4

We recommend that AS provide nondiscrimination and affirmative action training to all student employees upon hire.

Campus Response

We concur. By December 31, 2012, the Associated Students of Sonoma State University will train all new student hires in the areas of non-discrimination and affirmative action; such training will be required for all students upon hire.

PERSONNEL AND PAYROLL

Recommendation 5

We recommend that AS complete separation documentation for student employees.

Campus Response

We concur. A separation documentation procedure was implemented as of July 31, 2012.
January 2, 2013

MEMORANDUM

TO: Mr. Larry Mandel
   University Auditor

FROM: Timothy P. White
      Chancellor

SUBJECT: Draft Final Report 12-04 on Auxiliary Organizations, Sonoma State University

In response to your memorandum of January 2, 2013, I accept the response as submitted with the draft final report on Auxiliary Organizations, Sonoma State University.

TPW/amd