# CONTENTS

Executive Summary ................................................................................................................................. 1

Introduction ................................................................................................................................................ 5  
  Background ........................................................................................................................................ 5  
  Purpose ............................................................................................................................................. 7  
  Scope and Methodology ....................................................................................................................... 7

# OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

## CAMPUS

Information Technology ................................................................................................................................. 10  
  Information Security Training ................................................................................................................ 10  
  Acceptable Use Policy ............................................................................................................................ 11  
  User Access Review ............................................................................................................................... 12

## CALIFORNIA STATE UNIVERSITY, DOMINGUEZ HILLS FOUNDATION

Operational Compliance .............................................................................................................................. 13  
  Fees, Revenues, and Receivables .......................................................................................................... 13  
    Matching Gifts .................................................................................................................................... 13  
    Pledges Accounting ............................................................................................................................ 15  
    Pledges Receivable ............................................................................................................................. 16  
  Purchasing and Accounts Payable .......................................................................................................... 18  
  Personnel and Payroll ............................................................................................................................. 20  
  Property and Equipment .......................................................................................................................... 21  
  Commercial Operations ............................................................................................................................ 22  
  Contracts and Grants ............................................................................................................................... 23  
    Administration ..................................................................................................................................... 23  
    Closeout Procedures ............................................................................................................................ 25  
  Information Technology .......................................................................................................................... 27

## ASSOCIATED STUDENTS, INC.

Segregation of Duties ................................................................................................................................. 29  
  Fees, Revenues, and Receivables .......................................................................................................... 29
APPENDICES

APPENDIX A: Personnel Contacted
APPENDIX B: Statement of Internal Controls
APPENDIX C: Campus Response
APPENDIX D: Chancellor’s Acceptance

ABBREVIATIONS

AORMA  Auxiliary Organization Risk Management Authority
ASI    Associated Students, Inc.
AUP    Acceptable Use Policy
CDC    Child Development Center
CSU    California State University
CSUDH  California State University, Dominguez Hills
CSURMA California State University Risk Management Authority
DSS    Data Security Standard
EO     Executive Order
Foundation California State University, Dominguez Hills Foundation
GASB   Governmental Accounting Standards Board
ICSUAM Integrated California State University Administrative Manual
IT     Information Technology
NIH    National Institutes of Health
OMB    Office of Management and Budget
PAR    Personnel Action Request
PCI    Payment Card Industry
PI     Principal Investigator
PD     Project Director
RFIN   Resolution of the Committee on Finance
Union  Loker Student Union
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, Dominguez Hills (CSUDH) 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 CSUDH campus and its auxiliary organizations from November 13, 2012, through December 13, 2012, and made a study and evaluation of the system of internal compliance/internal control in effect as of December 13, 2012. This report represents our triennial review.

In our opinion, except for the effect of the weaknesses described below, the fiscal, operational and administrative controls at the CSUDH campus as of December 13, 2012, taken as a whole, were sufficient to meet the objectives stated above and in the “Purpose” section of this report. An area of concern is: information technology.

In our opinion, except for the effect of the weaknesses described below, the fiscal, operational and administrative controls at the California State University, Dominguez Hills Foundation as of December 13, 2012, taken as a whole, were sufficient to meet the objectives stated above and in the “Purpose” section of this report. Areas of concern include: fees, revenues, and receivables and contracts and grants.
In our opinion, the fiscal, operational and administrative controls in effect at Associated Students, Inc. as of December 13, 2012, taken as a whole, were sufficient to meet the objectives stated above and in the “Purpose” section of this report.

In our opinion, the fiscal, operational and administrative controls in effect at Loker Student Union as of December 13, 2012, taken as a whole, were sufficient to meet the objectives stated above and in the “Purpose” section of this report.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

The following summary provides management with an overview of conditions requiring their attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [ ] refer to page numbers in the report.

**CAMPUS**

**INFORMATION TECHNOLOGY [10]**

The campus did not ensure that Associated Students, Inc. (ASI), California State University, Dominguez Hills Foundation (Foundation), and Loker Student Union (Union) employees with access to sensitive data had completed information security awareness training. Additionally, the campus did not ensure that ASI and Foundation employees signed an appropriate acceptable use policy statement. Lastly, campus university advancement did not perform periodic, documented management reviews of user access privileges within the donor system.

**CALIFORNIA STATE UNIVERSITY, DOMINGUEZ HILLS FOUNDATION**

**OPERATIONAL COMPLIANCE [13]**

The Foundation did not have a written delegation of authority from the campus president giving the vice president of university advancement responsibility to accept monetary gifts and sign gift acknowledgement agreements and letters on behalf of the Foundation.

**FEES, REVENUES, AND RECEIVABLES [13]**

Administration of Foundation matching gifts needed improvement. For example, a documented dual review of matching gifts was not performed during the acceptance process, a repeat finding from the prior Auxiliary Organizations audit. Additionally, there was no evidence on file or within the donor database to support certain original donations and a corporate match. Further, the Foundation did not
have a written system to account for donor pledges. Also, administration of Foundation pledges receivable needed improvement. Specifically, supporting documentation and reports within the donor database were not reliable, as they were incomplete, inaccurate, or nonexistent. In addition, management review of the pledges receivable aging report was not documented, pledges receivables were reflected as outstanding in the donor database even though payments had been received, and follow-up activity and further action to be taken on delinquent pledges was not documented.

PURCHASING AND ACCOUNTS PAYABLE [18]

Foundation travel advances were not always recovered in a timely manner and were sometimes issued earlier than allowed by Foundation policy.

PERSONNEL AND PAYROLL [20]

Administration of Foundation personnel and payroll needed improvement. Specifically, documented authorization to hire an employee was obtained after the effective date of employment, and documented approval for an employee salary change was not maintained.

PROPERTY AND EQUIPMENT [21]

Foundation assets were not always tagged and recorded.

COMMERCIAL OPERATIONS [22]

Administration of Foundation catering services required improvement. Specifically, invoices for off-campus events did not always include the authorized account holder’s signature and account information.

CONTRACTS AND GRANTS [23]

Administration of Foundation contracts and grants needed improvement. For example, conflict-of-interest forms for principal investigators (PI) were not always completed at the beginning and/or end of each grant. Additionally, signature authorization agreements, certification that the PIs were not previously debarred and/or suspended, and documentation of PI orientation were not always maintained. Further, the Foundation closeout procedures for contracts and grants needed improvement. Specifically, there was no documentation showing evidence that equipment was properly transferred to the university after a sponsored project’s end date, and the closeout process was not always completed in a timely manner.

INFORMATION TECHNOLOGY [27]

The Foundation did not ensure that credit card information obtained by dining services for meal plan payments was stored and transmitted in compliance with Payment Card Industry Data Security Standard requirements.
ASSOCIATED STUDENTS, INC.

SEGREGATION OF DUTIES [29]

Certain duties and responsibilities related to cash receipts were not adequately segregated at the ASI Child Development Center (CDC). Specifically, one employee created and mailed invoices, collected payments, and handled accounts receivable collection procedures.

FEES, REVENUES, AND RECEIVABLES [29]

ASI did not have a written procedure for recording accounts receivable for CDC parent fees and grants or services provided to other departments and auxiliaries.

PURCHASING AND ACCOUNTS PAYABLE [30]

ASI did not always maintain competitive bid documentation for purchases of more than $2,500.

LOKER STUDENT UNION

FEES, REVENUES, AND RECEIVABLES [32]

Administration of Union accounts receivable needed improvement. For example, policies and procedures did not address the collection and write-off of uncollectible accounts receivable, an accounts receivable aging report was not prepared, and monthly reconciliations between the general ledger and the accounts receivable subsidiary ledger were not performed, and therefore not reviewed by management.

PURCHASING AND ACCOUNTS PAYABLE [33]

Administration of Union procurement cards required improvement. Specifically, written policies and procedures were not developed for the administration of procurement cards, one employee approved the payment of her own procurement card expenses, and procurement cards were used for personal purchases.
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 (EO) 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.

EO 1059, Utilization of Campus Auxiliary Organizations, dated June 6, 2011, also represents policy of the Trustees addressing appropriate use of CSU auxiliary organizations. CSU auxiliary organizations are required to comply with Board of Trustee policy (California Code of Regulations, Title 5, §42401 and §42500 and Education Code §89720, §89756, and §89900).

This executive order requires CSU auxiliary organizations to operate within the regulations and oversight of the campus. The campus president is responsible for ensuring the fiscal viability of auxiliary...
organizations and compliance with applicable CSU policies. The campus chief financial officer is responsible for administrative compliance and fiscal oversight of auxiliary organizations. The campus, with the approval of the chancellor (or designees), may assign certain functions to auxiliary organizations pursuant to the California Code of Regulations, Title 5, §42500. A written operating agreement is established detailing the functions that auxiliary organizations can perform. The campus may assign responsibility for an activity or program to auxiliary organizations, and the acceptance of the responsibility requires the assumption of the associated legal obligation and liabilities, fiscal liabilities, and fiduciary responsibilities by auxiliary organizations. Auxiliary organizations shall ensure that fiscal procedures and management systems are in place, consistent with California Code of Regulations, Title 5, §42401.

The Integrated California State University Administrative Manual §13680.00, Placement and Control of Receipts for Campus Activities and Programs, dated September 29, 2011, states that accountability and responsibility for campus activities and programs should be clearly established, and that related receipts are appropriately placed and controlled in university or auxiliary organization accounts. This policy guides campuses as to the administration of such receipts and instructs as to their proper placement in accordance with legal and regulatory requirements.

California State University, Dominguez Hills Foundation

California State University, Dominguez Hills Foundation (Foundation) was established in 1968 as a non-profit public benefit corporation for the purpose of promoting and assisting the educational programs of the university. The Foundation performs services that are vital to students, faculty, staff, and the entire campus community, including self-operated dining and catering services; the oversight of outsourced vending, third-party food vendors, and bookstore operations; post-award administration of grants and contracts; endowment administration; and fiscal administration of educationally related functions, special programs, and specific campus accounts. The Foundation is governed by a board of directors composed of representatives from the university administration, faculty, student body, and community.

Associated Students, Inc.

Associated Students, Inc. (ASI) was established in 1989 as a non-profit public benefit corporation responsible for providing a means for participation in the governance of the campus 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 the student body; and stimulating the educational, social, physical, and cultural well-being of the university community. ASI operates the Child Development Center, KDHR radio station, and a movie ticket sales desk. ASI is governed by the student board of directors and an advisory executive council that includes university management; employs an executive director, associate director, program coordinator, and executive assistant to manage daily operations; and outsources other fiscal and administrative functions to the campus.

Loker Student Union

Loker University Student Union (Union) was established in 1992 as a non-profit public benefit corporation for the primary purpose of operating and maintaining the student union facility. As of fall 2009, functions performed by the Union include operation of the student union facility, conference, and ballroom rentals; Toro productions; and a laptop-checkout program. The Union is governed by a board of directors composed of representatives from the university administration, faculty, student body, and
community and employs an executive director, associate director, assistant director, and supporting staff to manage its operations. The Union also relies on the Foundation for certain 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 fiscal, operational, 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 2010/11 and 2011/12 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 December 13, 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:

**California State University, Dominguez Hills Foundation**
- Operating and Administrative Agreements
- Facilities Agreements
- Corporate Governance
- Fiscal Compliance
- Operational Compliance
- Program Compliance
- Campus Oversight and Control
- Segregation of Duties
- Cash Receipts and Handling
- 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

**Associated Students, Inc.**
- Operating and Administrative Agreements
- Facilities Agreements
- Corporate Governance
- Fiscal Compliance
- Operational Compliance
- Program Compliance
- Campus Oversight and Control
- Segregation of Duties
INTRODUCTION

Associated Students, Inc. (cont.)
- Cash Receipts and Handling
- Cash Disbursement
- Fees, Revenues, and Receivables
- Purchasing and Accounts Payable
- Personnel and Payroll
- Property and Equipment
- Trusts and Other Liabilities
- Auxiliary Programs
- Information Technology

Loker Student Union
- 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
- Fees, Revenues, and Receivables
- Purchasing and Accounts Payable
- Personnel and Payroll
- Property and Equipment
- Auxiliary Programs
- Information Technology

Campus
- Campus Oversight and Control
- Information Technology

We have not performed any auditing procedures beyond December 13, 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

CAMPUS

INFORMATION TECHNOLOGY

INFORMATION SECURITY TRAINING

The campus did not ensure that Associated Students, Inc. (ASI), California State University, Dominguez Hills Foundation (Foundation), and Loker Student Union employees with access to sensitive data had completed information security awareness training.

Integrated California State University Administrative Manual (ICSUAM) §8035.0, Information Security Awareness and Training, dated April 19, 2010, states that each campus must implement a program for providing appropriate information security awareness and training to employees appropriate to their access to campus information assets. The campus information security awareness program must promote campus strategies for protecting information assets containing protected data. All employees with access to protected data and information assets must participate in appropriate information security awareness training. When appropriate, information security training must be provided to individuals whose job functions require specialized skill or knowledge in information security.

The campus associate vice president of information technology (IT) stated that the campus conducted information security awareness training as a part of the mandatory new staff orientation; however, auxiliary employees did not attend the same orientation. He further stated that the campus also offered regular information security awareness training sessions to all campus employees, including auxiliary employees; however, attendance was voluntary.

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

Recommendation 1

We recommend that the campus ensure that all auxiliary employees with access to sensitive data complete information security awareness training.

Campus Response

We concur. All auxiliary employees with access to sensitive data will complete information awareness training.

Expected completion date: June 2013
ACCEPTABLE USE POLICY

The campus did not ensure that ASI and Foundation employees signed an appropriate acceptable use policy (AUP) statement.

California State University, Dominguez Hills (CSUDH) Use of Information Technology Services and Resources and Electronic Mail Systems or Services states that every user is responsible for the integrity of the information technology resources and electronic mail systems or services. All users must respect the rights of other users and respect all pertinent license and contractual agreements related to the university’s information technology resources and electronic mail systems or services. All users shall act in accordance with these responsibilities, and the relevant local, state, and federal laws and regulations. Failure to conduct oneself in compliance with this policy may result in the denial of access to the university’s information technology resources and/or electronic mail systems or services in part or in whole.

EO 999, Illegal Electronic File Sharing and Protection of Electronic Copyrighted Material, dated March 7, 2007, states that it is the policy of the California State University (CSU) to use any and all information technologies in a manner consistent with the federal laws governing copyright protection. Use of any university resource such as computers (hardware or software), network connections, servers, routers, facsimile machines, copy machines, and other electronic equipment by any university constituent (faculty, student, staff, or general public) to circumvent legitimate copyright protections or illegally access, copy, or disseminate copyrighted material is unacceptable. Each university president will ensure that the campus policy governing acceptable use of information technology resources makes explicit that illegal file-sharing and other copyright violations are a Violation of Title 5 of the California Code of Regulations. In addition, each president will ensure that the existing campus processes and procedures for determining and penalizing copyright violations are detailed in the Student Handbook.

The campus associate vice president of IT stated that employees were not required to sign an appropriate AUP statement because the campus had not yet taken steps to have all staff and faculty certify that they had read and understood the campus AUP.

Inadequate control over computer and Internet usage increases the risk of non-compliance with state and federal rules and regulations.

Recommendation 2

We recommend that the campus ensure that ASI and Foundation employees sign an appropriate AUP statement.

Campus Response

We concur. ASI and Foundation employees will sign an appropriate AUP statement.

Expected completion date: June 2013
USER ACCESS REVIEW

Campus university advancement did not perform periodic, documented management reviews of user access privileges within the donor system.

ICSUAM §8060.0, Access Control, dated April 19, 2010, states that campuses must develop procedures to detect unauthorized access and privileges assigned to authorized users that exceed the required access rights needed to perform their job functions. Appropriate campus managers and data owners must review, at least annually, user access rights to information assets containing protected data. The results of the review must be documented.

The campus director of advancement services and development stated that a periodic, documented review of users and user roles was not performed because terminated and transferred users were removed from the system as these events occurred.

Failure to periodically perform a documented review of user access to systems containing protected data increases the risk of inappropriate access, compromised production systems, and potential disclosure of confidential data.

Recommendation 3

We recommend that the campus conduct periodic, documented management reviews of user access privileges in the donor system.

Campus Response

We concur. The campus has conducted and documented a review of user access privileges in the donor system.
OPERATIONAL COMPLIANCE

The California State University, Dominguez Hills Foundation (Foundation) did not have a written delegation of authority from the campus president giving the VP of university advancement responsibility to accept monetary gifts and sign gift acknowledgement agreements and letters on behalf of the Foundation.

EO 676, Delegation of Gift Evaluation and Acceptance to Campuses, dated February 1, 1998, states that authority is delegated to campus presidents to evaluate and accept gifts, bequests, and donations to campuses. Campus presidents may further delegate this authority in whole or in part to campus officers and employees to ensure that all gifts accepted by the campus will aid in carrying out the primary functions of the campus and the CSU system.

The campus vice president of university advancement stated his belief that gift acceptance policies, which assigned the responsibility for gift acceptance to the VP of university advancement and had been posted on the president’s website, met the delegation of authority requirement.

Failure to obtain a documented delegation of authority for gift evaluation and acceptance responsibilities increases the risk that donations will be mishandled or misused.

Recommendation 4

We recommend that the Foundation obtain documentation to evidence that the VP of university advancement has a written delegation of authority from the campus president to accept monetary gifts and sign acknowledgement agreements and letters on behalf of the Foundation.

Campus Response

We concur. The Foundation has obtained documented evidence of a written delegation of authority from the campus president to the VP of university advancement to accept monetary gifts and sign acknowledgement agreements and letters on behalf of the Foundation.

FEES, REVENUES, AND RECEIVABLES

MATCHING GIFTS

Administration of Foundation matching gifts needed improvement.

We reviewed ten corporate matching gifts received between January 2010 and August 2012 and found that:
A documented dual review of matching gifts was not performed during the acceptance process to ensure that funds were designated in accordance with donor intent. This is a repeat finding from the prior Auxiliary Organizations audit.

In one instance, there was no evidence on file or within the donor database to support a $1,250 donation and its corporate match.

In one instance, there was no information in the donor database about the original donation that generated a $325 corporate match. Additionally, the supporting documentation for the matching gift indicated that the donor wanted the gift to go to the athletics department, which the corporation’s matching gift requirements did not allow.

ICSUAM §15401.00, Approving Authority Responsibility, dated March 1, 2012, requires the review and verification of all donor contributions for which matching gifts are to be requested to ensure that the gift conforms to the guidelines for donations to the recipient organization and the relevant matching gift program; any apparent questions should be resolved by appropriate inquiries before a matching gift is requested. Specifically, the approving authority should review any restrictions related to personal benefit provided to the donor; e.g., athletics tickets. Section 505, Documentation, further states that to substantiate the dual review process, 1) the recordkeeper may countersign the claim certification, 2) the approving authority and recordkeeper may both sign an affirmation, or 3) the process may be automated in a secure database that tracks the actions of both the approving authority and recordkeeper.

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 8.9.3, Donations, Program Service Fees, Other Income, states that the auxiliary should establish a written recordkeeping system that enables gifts to be properly received, recorded, and acknowledged in accordance with donor restrictions and other requirements.

Title 5 §42401 and §42402 state 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 matching gifts.

The campus director of advancement services and development stated that a process had been implemented to address the dual signature requirement; however, it did not meet the full intent of the requirement because the requirement was not clearly understood. She further stated that the documentation supporting the original donation and corporate match was not scanned into the database during a conversion to paperless files. She also stated that the corporate matching gift was received by the campus for an external institution and was processed per that entity’s instructions without any supporting documentation, which resulted in limited university oversight responsibility regarding how the gift was managed.
Insufficient administration of matching gifts increases the likelihood that funds will be misdirected and the campus will be exposed to liabilities from non-compliance with corporate donor policies.

**Recommendation 5**

We recommend that the Foundation ensure that:

a. A documented dual review of matching gifts is performed during the acceptance process to ensure that funds are designated in accordance with donor intent.

b. Original donation and corporate match supporting documentation is maintained on file or within the donor database.

c. Information about the original donation is maintained in the donor database with information about corporate matching gifts, and matches are processed in accordance with the corporation’s requirements.

**Campus Response**

We concur.

a. The campus has implemented procedures to ensure a documented dual review of matching gifts is performed during the acceptance process to ensure that funds are designated in accordance with donor intent.

b. The campus has implemented procedures to ensure original donation and corporate match supporting documentation is maintained on file or within the donor database.

c. The campus has implemented procedures to ensure that information about the original donation is maintained in the donor database with information about corporate matching gifts, and matches are processed in accordance with the corporation’s requirements.

**PLEDGES ACCOUNTING**

The Foundation did not have a written system to account for donor pledges.

We found that a written system had not been established, inclusive of a threshold amount, to account for pledges at fair market value, and pledges in the amount of $110,394 had not been reported on the fiscal year 2011/12 financial statements.

Financial Accounting Standards Board Codification, *Not-for-Profit Entities Revenues Recognition, paragraphs 958-605-25-8 through 10*, states that pledges or unconditional promises to give shall be recognized as revenue or gains in the period received and as assets, decreased liability, or expenses when they are received at their fair values and when there is sufficient evidence in the form of verifiable documentation that a promise was made and received.
Governmental Accounting Standards Board (GASB) statement 33, *Accounting and Reporting for Nonexchange Transactions, paragraphs 21-25*, defines the standards applicable to the CSU and states that a promise to provide cash or other assets should be recognized as receivables and revenues.

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 8.9.4, *Receivables (including Pledges)*, states that the auxiliary should record unconditional promises, such as donor pledges, at fair value and have verifiable documentation. It further states that the auxiliary should establish a written system to record receivables in a timely manner with proper documentation as to terms and conditions.

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 recording of donor pledges.

The Foundation director of business and finance stated that the Foundation recorded a significant pledge during the prior period but a formal system and threshold had not been determined due to oversight.

Failure to record donor pledges increases the risk that receivables will not be accurately reflected in auxiliary financial statements and may potentially have a negative impact on cash flow.

**Recommendation 6**

We recommend that the Foundation establish a written system to account for donor pledges.

**Campus Response**

We concur. The Foundation will establish a written system to account for donor pledges.

Expected completion date: July 2013

**PLEDGES RECEIVABLE**

Administration of Foundation pledges receivable needed improvement.

We reviewed ten long outstanding pledges receivable from the aging report as of December 4, 2012, that were outstanding from 995 to 1,013 days after the initial pledge date, and we found that:

- Supporting documentation and reports within the donor database were not reliable, as they were incomplete, inaccurate, or nonexistent, and the Foundation had not maintained hard copies or backup files to validate the electronic records.
Management review of the pledges receivable aging report was not documented.

In four instances, pledges receivable totaling $25,000 were reflected as outstanding in the donor database, though payments had been received.

In two instances, pledges totaling $12,500 were recorded as paid, but there was no supporting documentation showing evidence that payment had been received.

Follow-up activity and further action to be taken on delinquent pledges was not documented.

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 8.9.4, *Receivables*, states that the auxiliary should establish a written system to invoice customers promptly, in a consistent manner, while exercising due diligence in the follow-up and collection of past-due accounts.

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 delinquent pledges receivable.

The campus director of advancement services and development stated that the database concerns could be due to a new system in use, and that the missing records may have been misplaced in transit when paper files were sent to a third-party vendor for scanning. She further stated that management review of the pledges receivable aging report was not documented due to a lack of formal procedures.

Inadequate administration of pledges receivable increases the risk that receivables will not be properly controlled and accurately reflected in auxiliary financial statements, reduces the likelihood of collection, and negatively impacts cash flow.

**Recommendation 7**

We recommend that the Foundation:

a. Ensure that supporting documentation and reports within the donor database are reliable, and/or maintain hard copies or backup files to validate the electronic records.


c. Ensure that pledges that have been received are not recorded as outstanding in the donor database.
d. Maintain documentation showing evidence that payments of long outstanding pledges have been received.

e. Document follow-up activity and further action to be taken on delinquent pledges.

**Campus Response**

We concur.

a. The Foundation has implemented procedures to ensure that supporting documentation and reports within the donor database are reliable, and/or hard copies or backup files are maintained to validate the electronic records.

b. The Foundation has implemented procedures to ensure that management review of the pledges receivable aging report has been documented.

c. The Foundation has implemented procedures to ensure that pledges that have been received are not recorded as outstanding in the donor database.

d. The Foundation has implemented procedures to maintain documentation showing evidence that payments of long outstanding pledges have been received.

e. The Foundation has implemented procedures to document follow-up activity and further action to be taken on delinquent pledges.

**PURCHASING AND ACCOUNTS PAYABLE**

Foundation travel advances were not always recovered in a timely manner and were issued earlier than allowed by Foundation policy.

We reviewed seven travel advances issued between August 31, 2010, and May 15, 2012, and found that:

- In three instances, travel advances were 173 to 824 days outstanding, and collection and follow-up activity was not documented.

- In two instances, travel advances were issued more than 30 days prior to the departure date. The checks were issued from 43 to 75 days before the departure date.

The Foundation Travel Advance Policy states that employees of the Foundation and/or the university may receive a travel advance no more than 30 days prior to the departure date. It further states that if an employee does not submit a travel claim and/or return any excess advance within 60 days after the completion of the travel, the amount of the advance may be deducted from the employee’s pay.
The Foundation Account Holders’ Handbook, *Travel Reimbursement/Clearing of Travel Advances/Certification of Expenditures*, states that after completion of travel, the applicable sections of the Travel Authorization Form and the Itemized Travel Expense Claim Form (with original receipts) must be executed and submitted to the Foundation within ten days or as soon as possible after the return of the traveler.

ICSUAM §3103.05, *Travel Advances*, dated January 1, 2012, states that 60 days after a trip is expected to be completed, the accounting office should initiate proceedings for the recovery of any outstanding cash advances. Any advances that cannot be recovered from the traveler will be charged to the account indicated on the Travel Advance Request or Check Request forms or as designated by the accounting office.

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 monitoring of travel advances.

The Foundation director of business and finance stated that the specific instances noted did not align with the Foundation’s travel advance policy due to oversight.

Failure to sufficiently monitor travel advances increases the risk of errors, irregularities, and misappropriation of funds.

**Recommendation 8**

We recommend that the Foundation:

a. Document collection and follow-up activity on delinquent travel advances.

b. Ensure that travel advances are not issued sooner than 30 calendar days prior to the anticipated departure date.

**Campus Response**

We concur.

a. The Foundation has implemented procedures to document collection and follow-up activity on delinquent travel advances.

b. The Foundation has implemented procedures to ensure that travel advances will not be issued sooner than 30 calendar days prior to the anticipated departure date.
PERSONNEL AND PAYROLL

Administration of Foundation personnel and payroll needed improvement.

We reviewed eight new-hires and eight salary changes and found that:

- In one instance, documented authorization to hire an employee was obtained after the effective date of employment.

- In one instance, documented approval for an employee salary change was not maintained.

The Foundation Personnel Action Request (PAR) guidelines state that the new hire appointment is not valid and is not approved until indicated in writing on the form by the Foundation executive director.

The Foundation Account Holder’s Handbook, Section 9.3.2, Salary Change, states that for salary changes, the PAR form must be signed by the person responsible for the employee’s performance. If the supervisor is not the account director, the account director must also sign above the supervisor’s signature. Additionally, approval must be obtained from an appropriate individual to whom the account director reports to, such as the department chair, dean, or vice president.

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 hiring and salary changes.

The Foundation director of business and finance stated that the documented authorization to hire was obtained after the effective date of employment due to miscommunication. She further stated that the documentation for the salary change was inadvertently misfiled.

Insufficient control over employee hiring and salary changes increases the risk of loss and inappropriate use of auxiliary funds and the inappropriate modification of salary and wage rates.
Recommendation 9

We recommend that the Foundation:

a. Obtain documented authorization to hire prior to the effective date of employment.
b. Maintain documented approval for all employee salary changes.

Campus Response

We concur.

a. The Foundation has implemented procedures to obtain documented authorization to hire prior to the effective date of employment.
b. The Foundation has implemented procedures to maintain documented approval for all employee salary changes.

PROPERTY AND EQUIPMENT

Foundation assets were not always tagged and recorded.

We reviewed 25 assets and found that eight were not tagged or recorded in the asset management system.

The Foundation Fixed Asset policy states that when equipment is delivered directly to the ordering department, Foundation staff shall be responsible for notifying the university asset management office and providing the necessary information so that the equipment can be properly recorded and tagged.

ICSUAM §3151.04, Equipment, dated January 1, 2011, states that it is the policy of CSU that equipment is properly recorded, maintained, and safeguarded, and that appropriate disposal methods are followed. The Compilation of Policies and Procedures for California State University Auxiliary Organizations sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.7, Property and Equipment, states that the auxiliary should establish a written system that ensures proper recording of property and equipment when received, and for labeling of equipment.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates that assets be tagged and recorded.
The Foundation director of commercial services stated that a purchase order/delivery would typically be received by the campus warehouse and tagged at the point of receipt, but the selected assets for campus dining were delivered directly to dining services and were not recorded or tagged due to oversight.

Insufficient control over property and equipment increases the risk that property may be lost or stolen and misrepresented in the financial statements.

**Recommendation 10**

We recommend that the Foundation ensure that all assets are tagged and recorded in the asset management system.

**Campus Response**

We concur. The Foundation has implemented procedures to ensure that all assets are tagged and recorded in the asset management system.

**COMMERCIAL OPERATIONS**

Administration of Foundation catering services required improvement.

We reviewed four on-campus and 11 off-campus catering events from January 1, 2012, to October 31, 2012, and found that invoices for two of the on-campus events did not include the authorized account holder’s signature and account information.

The Foundation catering policies and procedures, *Confirmation of Catering Order*, states that a signature and account information are required on the invoice as confirmation at least three business days prior to the event date.

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 catering events be sufficiently administered.

The Foundation director of commercial services stated that Foundation dining services did not always require an authorized account holder’s signature and account number on the physical invoice because events were pre-paid and food orders could change numerous times before an event.

Insufficient administration of catering services increases the risk of misunderstandings and miscommunication and revenue loss.
**Recommendation 11**

We recommend that the Foundation ensure that invoices for on-campus events include the authorized account holder’s signature and account number.

**Campus Response**

We concur. The Foundation has implemented procedures to ensure that invoices for on-campus events include the authorized account holder’s signature and account number.

**CONTRACTS AND GRANTS**

**ADMINISTRATION**

Administration of Foundation contracts and grants needed improvement.

We reviewed ten active contracts and grants and found that:

- In six instances, conflict-of-interest forms for principal investigators (PI) were not completed at the beginning and/or end of each grant.
- In four instances, signature authorization agreements were not maintained for current PIs.
- In four instances, there was no documentation of review or certification that the PIs were not previously debarred and/or suspended.
- In three instances, documentation of PI orientation was not maintained.

The Foundation *Conflict of Interest Policy* states that PIs working on grants and contracts are required to sign conflict-of-interest statements at the beginning and at the end of each grant.

CSUDH Office of Research and Funded Projects *Conflict of Interest Requirements* states that each investigator submitting a grant must disclose significant financial interests (including those of the investigator’s spouse and dependent children). The approved CSUDH policy includes a conflict-of-interest form that all investigators must complete and sign as part of the grant proposal clearance process. The Office of Research and Funded Projects provides the required conflict-of-interest forms and verifies the signature prior to submitting a grant for funding.

CSU Conflict of Interest Handbook, §2B, states that the Political Reform Act requires CSU to adopt a formal conflict-of-interest code. The CSU’s code requires certain employees, who are most likely to be involved in university decision-making where potential conflicts may be present, to file an annual disclosure form.
The Foundation Account Holders’ Handbook *Signature Authorization Policy and Procedures* states that the PI/project director (PD) is designated as the primary signer on a Foundation account. It further states that authorization of a designee by the PI/PD will be done in writing on the Foundation Signature Authorization Agreement Form. Additionally, failure to submit a fully accomplished Signature Authorization Agreement will be valid grounds to hold all expenses submitted by the PI/PD for reimbursement.

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 Foundation Account Holders’ Handbook *Orientation Meeting* states that under normal circumstances, after notification of the award and before any expenditures take place, an orientation meeting will be convened by the director of research and funded projects with the PD and the Foundation grants administrator also in attendance. The PD will have received and read the Foundation Account Holder's Handbook before the orientation meeting takes place. The meeting is intended to clarify university, Foundation, and sponsoring agency policies and procedures as they affect the project and its implementation.

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 contracts and grants.

The Foundation director of grants and contracts administration stated that these concerns may be attributed to management oversight on both the part of the Foundation and the campus Office of Research and Funded Projects.

Inadequate administration of sponsored projects increases the risk of non-compliance with relevant requirements and exposes the auxiliary organization to penalties and disallowances for non-compliance with contracts and grants terms.
**Recommendation 12**

We recommend that the Foundation ensure that:

a. Conflict-of-interest forms for PIs are completed at the beginning and/or end of each grant.

b. Signature authorization agreements are maintained for current PIs.

c. Documentation of review or certification that PIs are not debarred and/or suspended is maintained.

d. Documentation of PI orientation is maintained.

**Campus Response**

We concur.

a. The Foundation has implemented procedures to ensure that conflict-of-interest forms for PIs are completed at the beginning and/or end of each grant.

b. The Foundation has implemented procedures to ensure that signature authorization agreements are maintained for the current PIs.

c. The Foundation has implemented procedures to ensure that documentation of review or certification that PIs are not debarred and/or suspended is maintained.

d. The Foundation has implemented procedures to ensure that documentation of PI orientation is maintained.

**CLOSEOUT PROCEDURES**

The Foundation closeout procedures for contracts and grants needed improvement.

We reviewed ten closed contracts and grants and found that:

- In all ten instances where equipment was purchased, there was no documentation showing evidence that the equipment was properly transferred to the university after the sponsored project’s end date.

- In four instances, the closeout process was not completed in a timely manner. Projects were closed from four to 28 months after the project end date.

Office of Management and Budget (OMB) Circular A-110, *Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*, §C.21, states that the recipient’s financial management systems shall provide for
effective control over and accountability for all funds, property, and other assets, and accounting records that are supported by source documentation.

The Foundation Post-Award Administration Closeout Procedure states that the grantee must account for all property acquired with the use of federal funds. It further states that a report is prepared using agency forms identifying the equipment purchased, acquisition cost, make, model, serial number, tag number, and condition. Lastly, if the terms of the award do not automatically give the title to the university, a letter may be sent to the agency requesting transfer of title to the university.

The Foundation Post-Award Administration Closeout Procedure states that the terms and conditions of the award will specify what should be sent, when, and to whom. It further states that for most federal awards, the deadline for submission of final documents is 90 days after the end of the award deadline.

The Foundation director of grants and contracts administration stated that the Foundation and the campus had not finalized the methodology for equipment transfers and the closeout process.

Inadequate administration of the sponsored-project closeout process increases the risk of non-compliance with relevant federal and state regulations and exposes the auxiliary organization to penalties and disallowances for non-compliance with contracts and grants terms.

Recommendation 13

We recommend that the Foundation:

a. Maintain documentation showing evidence that equipment purchased for a sponsored project is properly transferred to the university subsequent to the project’s end date.

b. Complete the closeout process for sponsored projects in a timely manner.

Campus Response

We concur.

a. The Foundation will maintain documentation showing evidence that equipment purchased for a sponsored project is properly transferred to the university subsequent to the project’s end date.

b. The Foundation will ensure that the closeout process for sponsored projects will be completed in a timely manner.

Expected completion date: June 2013
INFORMATION TECHNOLOGY

The Foundation did not ensure that credit card information obtained by dining services for meal plan payment was stored and transmitted in compliance with Payment Card Industry (PCI) Data Security Standard (DSS) requirements.

Specifically, we found that credit card information stored in paper form was not redacted, locked when not in use, or discarded immediately after processing.

CSUDH Credit Card Handling Security Standards states that if credit card information is received via telephone or mail order, it should not be written on anything other than an approved form to be used for such purpose. It further instructs personnel to black out the credit card number so that only the last four digits of the account are visible prior to storing this information. Lastly, it mentions that credit card processors should never store sensitive cardholder data (the three-digit code found on the back of the card).

ICSUAM §8045.0, Information Technology Security, dated April 19, 2010, states that campuses must develop and implement appropriate technical controls to minimize risks to their information technology infrastructure. Each campus must take reasonable steps to protect the confidentiality, integrity, and availability of its critical assets and protected data from threats.

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 PCI DSS is a set of comprehensive requirements for enhancing payment account data security, which was developed by the founding payment brands of the PCI Security Standards Council, including American Express, Discover Financial Services, JCB International, MasterCard Worldwide, and Visa Inc. International, to help facilitate the broad adoption of consistent data security measures on a global basis. The PCI DSS is a multifaceted security standard that includes requirements for security management, policies, procedures, network architecture, software design, and other critical protective measures. This comprehensive standard is intended to help organizations proactively protect customer account data. According to payment brand rules, all merchants and their service providers are required to comply with the PCI DSS in its entirety. PCI DSS prohibit the unencrypted storage of full credit card numbers, cardholder names, service codes, and expiration dates; and prohibit any storage, whether encrypted or not, of the three-digit security codes.

The Foundation director of commercial services stated that management was unaware that confidential data associated with meal plan administration was being stored.

Failure to comply with PCI DSS requirements exposes the auxiliaries and campus to potential financial penalties and credit card usage restrictions, which could include termination of the entities’ ability to accept credit cards.
Recommendation 14

We recommend that the Foundation ensure that credit card information stored in paper form is redacted, locked when not in use, or discarded immediately after processing.

Campus Response

We concur. The Foundation has implemented procedures to ensure that credit card information stored in paper form is redacted, locked when not in use, or discarded immediately after processing.
ASSOCIATED STUDENTS, INC.

SEGREGATION OF DUTIES

Certain duties and responsibilities related to cash receipts were not adequately segregated at the Associated Students, Inc. (ASI) Child Development Center (CDC).

We found that one employee performed the following incompatible duties:

- Created and mailed invoices.
- Collected payments.
- Handled accounts receivable collection procedures.

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

The Compilation of Policies and Procedures for California State University Auxiliary Organizations sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.1, Cash, states that the auxiliary should establish a written internal control system that ensures cash receipts and disbursements are conducted with appropriate segregation of duties.

The ASI executive director stated that duties and responsibilities related to cash receipts at the CDC were not properly segregated due to limited resources.

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

Recommendation 15

We recommend that ASI adequately segregate duties and responsibilities related to cash receipts at the CDC or institute mitigating procedures approved by the campus chief financial officer.

Campus Response

We concur. ASI has implemented procedures to adequately segregate duties and responsibilities related to cash receipts at the CDC.

FEES, REVENUES, AND RECEIVABLES

ASI did not have a written procedure for recording accounts receivable for CDC parent fees and grants or services provided to other departments and auxiliaries.
GASB Statement 33, *Accounting and Reporting for Nonexchange Transactions, Paragraphs 21-25*, defines the standards applicable to the CSU and states that promises to provide cash or other assets should be recognized as receivables and revenues.

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 8.9.4, *Receivables*, states that the auxiliary should establish a written system to record receivables in a timely manner with proper documentation as to terms and conditions.

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

The ASI executive director stated that a procedure for recording these accounts receivable had not been established because the volume and value of the receivables were considered to be small.

Failure to record accounts receivable increases the risk that receivables will not be properly controlled and accurately reflected in auxiliary financial statements, reduces the likelihood of collection, and negatively impacts cash flow.

**Recommendation 16**

We recommend that ASI establish a written procedure for recording accounts receivables for CDC parent fees and grants or services provided to other departments and auxiliaries.

**Campus Response**

We concur. ASI will establish a written procedure for recording accounts receivables for CDC parent fees and grants or services provided to other departments and auxiliaries.

Expected completion date: June 2013

**PURCHASING AND ACCOUNTS PAYABLE**

ASI did not always maintain competitive bid documentation for purchases of more than $2,500.

We reviewed 20 competitive bids and found six instances in which documentation was not kept on file.

The ASI *Financial Policies* state that multiple competitive bids must be obtained in writing for purchases exceeding $2,500.
The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.5, *Procurement*, states that the auxiliary should establish a written system that ensures purchases and service contracts coding, classification, recording, and competitive bidding requirements are applied in a consistent manner.

The ASI executive director stated that documentation for competitive bids was not maintained due to employee oversight.

Lack of sufficient and appropriate supporting documentation increases the risk of errors, irregularities, and misappropriation of funds.

**Recommendation 17**

We recommend that ASI maintain competitive bid documentation for purchases of more than $2,500.

**Campus Response**

We concur. ASI has implemented procedures to maintain competitive bid documentation for purchases of more than $2,500.
FEES, REVENUES, AND RECEIVABLES

Administration of Loker Student Union (Union) accounts receivable needed improvement.

We found that:

- Policies and procedures did not address the collection and write-off of uncollectible accounts receivable.

- An accounts receivable aging report was not prepared.

- Monthly reconciliations between the general ledger and the accounts receivable subsidiary ledger were not performed, and therefore not reviewed by management.

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 8.9.4, *Receivables*, states that the auxiliary should establish a written system to invoice customers promptly, in a consistent manner, while exercising due diligence in the follow-up and collection of past-due accounts; and reconcile subsidiary receivables ledgers to the general ledger on a timely basis with independent management review.

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

The Union director stated that the current accounts receivable policies and procedures did not include specific procedures to address collections, write-offs, the preparation of an accounts receivable aging report and monthly reconciliations due to oversight.

The absence of sufficient written policies and procedures increases the risk that errors, inconsistencies, misunderstandings, or misappropriation will occur, and inadequate control over accounts receivable increases the risk that receivables will not be properly controlled and accurately reflected in auxiliary financial statements, reduces the likelihood of collection, and negatively impacts cash flow.
Recommendation 18

We recommend that the Union:

a. Update policies and procedures to address the collection and write-off of uncollectible accounts receivable.

b. Prepare monthly accounts receivable aging reports.

c. Reconcile accounts receivable subsidiary ledgers to the general ledger on a monthly basis, and ensure that the reconciliations are reviewed by management.

Campus Response

We concur.

a. The Union will update policies and procedures to address the collection and write-off of uncollectible accounts receivable.

b. The Union will prepare monthly accounts receivable aging reports.

c. The Union will reconcile accounts receivable subsidiary ledgers to the general ledger on a monthly basis, and those reconciliations will be reviewed by management.

Expected completion date: May 2013

PURCHASING AND ACCOUNTS PAYABLE

Administration of Union procurement cards required improvement.

We found that:

› Written policies and procedures were not developed for the administration of procurement cards.
› One employee approved the payment of her own procurement card expenses.
› Procurement cards were used for personal purchases.

The Compilation of Policies and Procedures for California State University Auxiliary Organizations sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.1, Cash, states that the auxiliary should disburse cash in a consistent manner utilizing systems that ensure the 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 procurement cards.

The Union director stated that written policies and procedures had not been developed for the administration of procurement cards due to oversight.

The absence of written policies and procedures to address the use of purchase cards and/or lack of appropriate approval and authorization increase the risk that errors, irregularities, misunderstandings, and misappropriation of funds will occur.

**Recommendation 19**

We recommend that the Union:

a. Develop written policies and procedures for the administration of procurement cards.

b. Ensure that procurement payments are not approved by the card holder.

c. Ensure that procurement cards are not used for personal purchases.

**Campus Response**

We concur.

a. The Union will develop written policies and procedures for the administration of procurement cards.

b. The Union will ensure that procurement payments will not be approved by the card holder.

C. The Union will ensure that procurement cards will not be used for personal purchases.

Expected completion date: May 2013
# APPENDIX A: PERSONNEL CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
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<tbody>
<tr>
<td><strong>CAMPUS</strong></td>
<td></td>
</tr>
<tr>
<td>Willie Hagan</td>
<td>Interim President</td>
</tr>
<tr>
<td>Ron Bergmann</td>
<td>Associate Vice President of Information Technology</td>
</tr>
<tr>
<td>Adriana Bitoun</td>
<td>Director, Advancement Services and Development</td>
</tr>
<tr>
<td>Ben Boish</td>
<td>Manager, Compensation and Training</td>
</tr>
<tr>
<td>Danny Lujan</td>
<td>Director, Network, Telecommunications and Help Desk Services</td>
</tr>
<tr>
<td>Jeff Poltorak</td>
<td>Associate Vice President, Development</td>
</tr>
<tr>
<td>Mary Ann Rodriguez</td>
<td>Vice President, Administration and Finance</td>
</tr>
<tr>
<td>Greg Saks</td>
<td>Vice President, University Advancement</td>
</tr>
<tr>
<td>Karen Wall</td>
<td>Associate Vice President, Administration and Finance</td>
</tr>
<tr>
<td><strong>CALIFORNIA STATE UNIVERSITY, DOMINGUEZ HILLS FOUNDATION</strong></td>
<td></td>
</tr>
<tr>
<td>Lauren Ansorge</td>
<td>Grants and Contracts Administrator</td>
</tr>
<tr>
<td>Clyde Bustamante</td>
<td>Clerical Assistant/Receptionant</td>
</tr>
<tr>
<td>Richard Chester</td>
<td>Director of Commercial Services</td>
</tr>
<tr>
<td>Rita Darcy</td>
<td>Grants and Contracts Administrator</td>
</tr>
<tr>
<td>Delia Diego</td>
<td>Office Manager, Campus Dining Services</td>
</tr>
<tr>
<td>Jim Egan</td>
<td>Payroll/Human Resources Administrator</td>
</tr>
<tr>
<td>Dan Hoang</td>
<td>Accounting Manager</td>
</tr>
<tr>
<td>Gloria Mendez</td>
<td>Director, Grants and Contracts Administration</td>
</tr>
<tr>
<td>Dawn Shimizu</td>
<td>Director of Business and Finance</td>
</tr>
<tr>
<td>Patty Young</td>
<td>Accounting Technician</td>
</tr>
<tr>
<td><strong>ASSOCIATED STUDENTS, INC.</strong></td>
<td></td>
</tr>
<tr>
<td>Shamshad Elimu</td>
<td>Executive Assistant</td>
</tr>
<tr>
<td>Nicole Gordon</td>
<td>Office Manager, Child Development Center</td>
</tr>
<tr>
<td>Rasheedah Shakoor</td>
<td>Executive Director</td>
</tr>
<tr>
<td><strong>LOKER STUDENT UNION</strong></td>
<td></td>
</tr>
<tr>
<td>Linda Brown</td>
<td>Office Manager</td>
</tr>
<tr>
<td>Arneicia Bryant</td>
<td>Associate Director</td>
</tr>
<tr>
<td>Jaime Leal</td>
<td>Assistant Director</td>
</tr>
<tr>
<td>Cecilia Ortiz</td>
<td>Director</td>
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</tbody>
</table>

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.
May 13, 2013

Mr. Larry Mandel  
University Auditor  
The California State University  
401 Golden Shore, 4th Floor  
Long Beach, CA  90802-4210

Dear Mr. Mandel:

Enclosed, please find California State University, Dominguez Hills’ responses to the Auxiliary Organizations Audit Report 12-08, dated March 28, 2013. The campus is committed to addressing and resolving the issues identified in the audit report.

If you have any questions or would like additional information, please contact me.

Sincerely,

[Signature]

Mary Ann Rodriguez  
Vice President, Administration and Finance

Enclosure (1)

c: Willie Hagan, Interim President  
    Karen Wall, Associate Vice President, Administration and Finance
AUXILIARY ORGANIZATIONS

CALIFORNIA STATE UNIVERSITY,
DOMINGUEZ HILLS

Audit Report 12-08

CAMPUS

INFORMATION TECHNOLOGY

INFORMATION SECURITY TRAINING

Recommendation 1

We recommend that the campus ensure that all auxiliary employees with access to sensitive data complete information security awareness training.

Campus Response

We concur. All auxiliary employees with access to sensitive data will complete information awareness training.

Expected completion date: June 2013

ACCEPTABLE USE POLICY

Recommendation 2

We recommend that the campus ensure that ASI and Foundation employees sign an appropriate AUP statement.

Campus Response

We concur. ASI and Foundation employees will sign an appropriate AUP statement.

Expected completion date: June 2013

USER ACCESS REVIEW

Recommendation 3

We recommend that the campus conduct periodic, documented management reviews of user access privileges in the donor system.
Campus Response

We concur. The campus has conducted and documented a review of user access privileges in the donor system.

Corrective action has been completed.
CALIFORNIA STATE UNIVERSITY, DOMINGUEZ HILLS FOUNDATION

OPERATIONAL COMPLIANCE

Recommendation 4

We recommend that the Foundation obtain documentation to evidence that the VP of university advancement has a written delegation of authority from the campus president to accept monetary gifts and sign acknowledgement agreements and letters on behalf of the Foundation.

Campus Response

We concur. The Foundation has obtained documented evidence of a written delegation of authority from the campus president to the Vice President of University Advancement to accept monetary gifts and sign acknowledgement agreements and letters on behalf of the Foundation.

Corrective action has been completed.

FEES, REVENUES, AND RECEIVABLES

MATCHING GIFTS

Recommendation 5

We recommend that the Foundation ensure that:

a. A documented dual review of matching gifts is performed during the acceptance process to ensure that funds are designated in accordance with donor intent.

b. Original donation and corporate match supporting documentation is maintained on file or within the donor database.

c. Information about the original donation is maintained in the donor database with information about corporate matching gifts, and matches are processed in accordance with the corporation’s requirements.

Campus Response

a. We concur. The campus has implemented procedures to ensure a documented dual review of matching gifts is performed during the acceptance process to ensure that funds are designated in accordance with donor intent.

b. We concur. The campus has implemented procedures to ensure original donation and corporate match supporting documentation is maintained on file or within the donor database.
c. We concur. The campus has implemented procedures to ensure that information about the original donation is maintained in the donor database with information about corporate matching gifts, and matches are processed in accordance with the corporation’s requirements. Corrective action has been completed.

**PLEDGES ACCOUNTING**

**Recommendation 6**

We recommend that the Foundation establish a written system to account for donor pledges.

**Campus Response**

We concur. The Foundation will establish a written system to account for donor pledges.

Expected completion date: July 2013

**PLEDGES RECEIVABLE**

**Recommendation 7**

We recommend that the Foundation:

a. Ensure that supporting documentation and reports within the donor database are reliable, and/or maintain hard copies or backup files to validate the electronic records.


c. Ensure that pledges that have been received are not recorded as outstanding in the donor database.

d. Maintain documentation showing evidence that payments of long outstanding pledges have been received.

e. Document follow-up activity and further action to be taken on delinquent pledges.

**Campus Response**

a. We concur. The Foundation has implemented procedures to ensure that supporting documentation and reports within the donor database are reliable, and/or maintain hard copies or backup files to validate the electronic records.

b. We concur. The Foundation has implemented procedures to ensure that management review of the pledges receivable aging report has been documented.

c. We concur. The Foundation has implemented procedures to ensure that pledges that have been received are not recorded as outstanding in the donor database.
d. We concur. The Foundation has implemented procedures to maintain documentation showing evidence that payments of long outstanding pledges have been received.

e. We concur. The Foundation has implemented procedures to document follow-up activity and further action to be taken on delinquent pledges.

Corrective action has been completed.

PURCHASING AND ACCOUNTS PAYABLE

Recommendation 8

We recommend that the Foundation:

a. Document collection and follow-up activity on delinquent travel advances.

b. Ensure that travel advances are not issued sooner than 30 calendar days prior to the anticipated departure date.

Campus Response

a. We concur. The Foundation has implemented procedures to document collection and follow-up activity on delinquent travel advances.

b. We concur. The Foundation has implemented procedures to ensure that travel advances will not be issued sooner than 30 calendar days prior to the anticipated departure date.

Corrective action has been completed.

PERSONNEL AND PAYROLL

Recommendation 9

We recommend that the Foundation:

a. Obtain documented authorization to hire prior to the effective date of employment.

b. Maintain documented approval for all employee salary changes.

Campus Response

a. We concur. The Foundation has implemented procedures to obtain documented authorization to hire prior to the effective date of employment.

b. We concur. The Foundation has implemented procedures to maintain documented approval for all employee salary changes.

Corrective action has been completed.
PROPERTY AND EQUIPMENT

Recommendation 10

We recommend that the Foundation ensure that all assets are tagged and recorded in the asset management system.

Campus Response

We concur. The Foundation has implemented procedures to ensure that all assets are tagged and recorded in the asset management system.

Corrective action has been completed.

COMMERCIAL OPERATIONS

Recommendation 11

We recommend that the Foundation ensure that invoices for on-campus events include the authorized account holder’s signature and account number.

Campus Response

We concur. The Foundation has implemented procedures to ensure that invoices for on-campus events include the authorized account holder’s signature and account number.

Corrective action has been completed.

CONTRACTS AND GRANTS

ADMINISTRATION

Recommendation 12

We recommend that the Foundation ensure that:

a. Conflict-of-interest forms for PIs are completed at the beginning and/or end of each grant.

b. Signature authorization agreements are maintained for current PIs.

c. Documentation of review or certification that PIs are not debarred and/or suspended is maintained.

d. Documentation of PI orientation is maintained.
Campus Response

a. We concur. The Foundation has implemented procedures to ensure that conflict-of-interest forms for PIs are completed at the beginning and/or end of each grant.

b. We concur. The Foundation has implemented procedures to ensure that signature authorization agreements are maintained for the current PIs.

c. We concur. The Foundation has implemented procedures to ensure that documentation of review or certification that PIs are not debarred and/or suspended is maintained.

d. We concur. The Foundation has implemented procedures to ensure that documentation of PI orientation is maintained.

Corrective action has been completed.

CLOSEOUT PROCEDURES

Recommendation 13

We recommend that the Foundation:

a. Maintain documentation showing evidence that equipment purchased for a sponsored project is properly transferred to the university subsequent to the project’s end date.

b. Complete the closeout process for sponsored projects in a timely manner.

Campus Response

a. We concur. The Foundation will maintain documentation showing evidence that equipment purchased for a sponsored project is properly transferred to the university subsequent to the projects end date.

b. We concur. The Foundation will ensure that the closeout process for sponsored projects will be completed in a timely manner.

Expected completion date: June 2013

INFORMATION TECHNOLOGY

Recommendation 14

We recommend that the Foundation ensure that credit card information stored in paper form is redacted, locked when not in use, or discarded immediately after processing.
Campus Response

We concur. The Foundation has implemented procedures to ensure that credit card information stored in paper form is redacted, locked when not in use, or discarded immediately after processing.

Corrective action has been completed.
ASSOCIATED STUDENTS, INC.

SEGREGATION OF DUTIES

Recommendation 15

We recommend that ASI adequately segregate duties and responsibilities related to cash receipts at the CDC or institute mitigating procedures approved by the campus chief financial officer.

Campus Response

We concur. ASI has implemented procedures to adequately segregate duties and responsibilities related to cash receipts at the CDC.

Corrective action has been completed.

FEES, REVENUES, AND RECEIVABLES

Recommendation 16

We recommend that ASI establish a written procedure for recording accounts receivables for CDC parent fees and grants or services provided to other departments and auxiliaries.

Campus Response

We concur. ASI will establish a written procedure for recording accounts receivables for CDC parent fees and grants or services provided to other departments and auxiliaries.

Expected completion date: June 2013

PURCHASING AND ACCOUNTS PAYABLE

Recommendation 17

We recommend that ASI maintain competitive bid documentation for purchases of more than $2,500.

Campus Response

We concur. ASI has implemented procedures to maintain competitive bid documentation for purchases of more than $2,500.

Corrective action has been completed.
FEES, REVENUES, AND RECEIVABLES

Recommendation 18

We recommend that the Union:

a. Update policies and procedures to address the collection and write-off of uncollectible accounts receivable.

b. Prepare monthly accounts receivable aging reports.

c. Reconcile accounts receivable subsidiary ledgers to the general ledger on a monthly basis, and ensure that the reconciliations are reviewed by management.

Campus Response

a. We concur. The Union will update policies and procedures to address the collection and write-off of uncollectible accounts receivable.

b. We concur. The Union will prepare monthly accounts receivable aging reports.

c. We concur. The union will reconcile accounts receivable subsidiary ledgers to the general ledger on a monthly basis and those reconciliations will be reviewed by management.

Expected completion date: May 2013

PURCHASING AND ACCOUNTS PAYABLE

Recommendation 19

We recommend that the Union:

a. Develop written policies and procedures for the administration of procurement cards.

b. Ensure that procurement payments are not approved by the card holder.

c. Ensure that procurement cards are not used for personal purchases.

Campus Response

a. We concur. The Union will develop written policies and procedures for the administration of procurement cards.

b. We concur. The Union will ensure that procurement payments will not be approved by the card holder.
c. We concur. The Union will ensure that procurement cards will not be used for personal purchases.

Expected completion date: May 2013
May 23, 2013

MEMORANDUM

TO: Mr. Larry Mandel
   University Auditor

FROM: Timothy P. White
       Chancellor

SUBJECT: Draft Final Report 12-08 on Auxiliary Organizations,
         California State University, Dominguez Hills

In response to your memorandum of May 23, 2013, I accept the response as
submitted with the draft final report on Auxiliary Organizations, California
State University, Dominguez Hills.

TPW/amd